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<th><strong>Title Holder</strong></th>
<th>Territory Resources Limited</th>
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<td><strong>Tenement Manager / Agent</strong></td>
<td>Australian Mining &amp; Exploration Titles Services</td>
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<td><strong>Titles / Tenements</strong></td>
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<td><strong>Mine / Project Details</strong></td>
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<td>Batchelor EL25204 - Surrender Report, November 2010</td>
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<td><strong>Company Reference Number</strong></td>
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<td><strong>Target Commodity</strong></td>
<td>Iron Ore / Uranium</td>
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<td><strong>Report Date</strong></td>
<td>3 November 2010</td>
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<td><strong>250k Mapsheet</strong></td>
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<td><strong>100k Mapsheet</strong></td>
<td>Batchelor 5171</td>
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TERRITORY RESOURCES LIMITED
A.C.N. 100 552 118

Batchelor EL25204

SURRENDER REPORT

3 November 2010

Darwin SD52-041:250,000 Sheet
Batchelor 5171 1:100, 000 Sheet

NORTHERN TERRITORY

David Broomfield
November 2010
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SUMMARY

Territory Resources Limited applied for the Batchelor tenement EL25204 on 20th February 2006. Following native title, landholder notification, and advertising, the tenement was granted on 11th October 2006 for a term of 6 years, expiring on the 10th October 2012.

On 10th October 2008, the second anniversary of the tenement, it was required that the tenement be reduced from 8 to 4 graticular blocks, with an area reduction from 14.3 km² to 11.44 km². This was subsequently undertaken by the Company.

The relinquished blocks were underlain by rocks of the Whites Formation and Coomalie Dolomites of the Mt Partridge Group, rock types with low prospectivity for iron ore and uranium. The anticipated setting for iron ore deposits in the Batchelor area is that of the Wildman Formation of the Mt Partridge Group. As such, areas thought not to be underlain by rocks of the Wildman Formation were deemed to be of low prospectivity and so were dropped as part of compulsory relinquishment.

A second area reduction was made on the 11th October 2009. A further 2 graticular blocks were relinquished, reducing the tenement from 11.44 km² to 6.623 km².

Tenement blocks on the eastern margin of the tenement were retained into 2010, since this margin was underlain by rocks of the Wildman Formation which is the host rock for the Frances Creek iron ore deposit mineralisation near Pine Creek (to the south) and was deemed prospective for hydrothermal style iron ore deposits.

Activities undertaken by Territory Resources Limited during the last three years have indicated the poor prospectivity of defining economic accumulations of iron ore mineralisation in the remaining Batchelor EL25204 tenure.

Rum Jungle Uranium conducted a TEMPEST electromagnetic aerial survey over the tenement in 2009, using Fugro Airborne Surveys Pty Ltd as the service provider. Although this work did outline some small anomalies within EL25204, the Company decided that it would not drill these.

Consequently, Territory Resources Ltd (the tenement holder of EL25204) and Rum Jungle Uranium Ltd (Joint Venture partner who hold all mineral rights to EL25204 except iron ore and manganese), have now jointly decided to fully surrender the remaining two (2) graticular blocks of the Batchelor tenement.
1. INTRODUCTION

This Report details exploration activity conducted on the remaining two (2) graticular blocks within the Batchelor tenement EL25204, recently surrendered by Territory Resources Ltd.

EL25204 is located about 2.5 km south of the township of Batchelor, which is located 90km south along the Stuart Highway from Darwin. Access from Batchelor into and through the area is along sealed roads (Figures 1 and 2).

EL25204 is on the Darwin 1:250,000 Sheet and the Batchelor (5171) 1:100,000 Sheet. The area of initial interest to Territory Resources Ltd within this tenement was the sedimentary cover underlain by the siltstones of the Wildman Formation of the Mt Partridge Group, the same formation that serves as host rocks to the Frances Creek iron ore mine near the township of Pine Creek, 100km south-east of the tenement area.

The tenement has been the subject of a number of Annual and Relinquishment Reports since grant and this work has been detailed in Vivian (2007), Lottering (2008, 2009) and Hassall (2009, 2010).

The tenement area has undergone geological field reconnaissance for iron ore and manganese potential by Territory Resources Ltd since grant in 2006 with only minor surface goethite-rich low grade iron mineralisation being identified. Ferruginous shales have also been recognised; however, they are of limited extent and unlikely to form economical accumulations of iron ore bodies.

Rum Jungle Uranium Ltd completed a detailed TEMPEST geophysical survey over the region covering the Batchelor EL25204 tenement in 2009. Although some small anomalies were identified by this survey the Company decided against drill testing, as better anomalies were identified elsewhere.

Given the overall limited prospectivity for iron ore, manganese and uranium in the tenement EL25204, it has now been surrendered. There remains minor prospectivity for base metals in the area, focussed on suitable sedimentary horizons.
Figure 1. EL25204 Tenement Location (previous surrenders in red)
Figure 2. EL25204 Tenement over Aerial QuickBird Imagery (previous surrenders in red)
2. **TENURE**

2.1 **MINERAL RIGHTS**

EL25204 was granted to Territory Resources Limited on 11\textsuperscript{th} October 2006. The current term of the tenement was due to expire on 10\textsuperscript{th} October 2012. The tenement originally covered 14.3\text{km}^2 or approximately 8 graticular blocks. It had been reduced by 50\% during 2008 and 2009 (see Lottering, 2008 and Hassall, 2010).

2.2 **ABORIGINAL SACRED SITE CLEARANCE AND NATIVE TITLE**

No search of the Aboriginal Areas Protection Authority’s sacred site digital register was carried out on EL25204, due to lack of ground disturbing activities being required by either Territory Resources Ltd or Rum Jungle Uranium Ltd during the period of grant.

3. **GEOLOGY & MINERALISATION**

The Palaeoproterozoic Whites Formation and Wildman Formation rocks of the Mt Partridge Group underlie the tenement area (see Figure 3).

The Whites Formation is the most widespread rock unit and comprises calcareous and carbonaceous pyritic argillite, dololutite, doloarenite and rare quartzite, ironstone, siltstone and phyllite, which at depth is reported to be pyritic and carbonaceous. It is overlain by the Wildman Formation which is confined to the south eastern part of the tenement area and consists of shale and argillite.

These sediments have been moderately to tightly folded into a series of north trending synforms-antiforms with vertical dips or steep dips to either side of vertical. On a regional scale, however, the strata show a dominant easterly dip.

Iron stone occurrences were not known historically from the area and work completed by Territory Resources Ltd from 2006-2010 failed to identify any significant economical accumulations of iron ore or manganiferous deposition.
Figure 3. EL25204 Tenement Geology – previous surrenders in red (refer for legend to Rum Jungle Mineral Field Geophysics and Geology Interpretation 100,000 scale map, Breschianini 2003)
4. EXPLORATION ACTIVITIES

4.1 WORK COMPLETED  2007

During this period exploration activities within EL25204 comprised a literature search of open file Company reports held at the NTGS, a site reconnaissance visit and re-processing of public domain aeromagnetic survey data over the tenement area.

The literature search indicated no record of iron ore exploration or evidence of significant iron stone occurrences having been identified historically in the region of EL25204.

Hematitic siltstone was apparently intersected during RAB drill hole testing for uranium at shallow depths and reported by Mobil Energy in Report CR1984/010. The narrow intersections (of 13m and 6m length respectively) were not followed up as they were believed to be of supergene or redox front water table alteration origin.

Most historical activities in the region were directed towards uranium exploration and radiometric anomalies discovered were attributed to supergene enrichment at the water table.

A site visit was conducted in October 2007 and indicated that iron mineralisation occurred as ferricrete and iron staining in a brecciated rock unit. The mineralisation was dominantly goethite with minor hematite content (see Appendix 1). Sedimentary bedding was not discernable.

A detailed programme of re-processing of the available public domain airborne geophysical data was also undertaken by Vector Research Pty Ltd. This is discussed in detail in Vivian (2007). The work indicated that only the south eastern and eastern parts of EL25204 were likely to be prospective for iron ore mineralisation, as this area contained all the interpreted Wildman Formation stratigraphy. More detailed field geological reconnaissance of the prospective iron ore stratigraphy was planned and subsequently undertaken during the 2008 field season.

The geophysical data re-processing work also lead to the identification of several radiometric anomalies and this led indirectly to a Joint Venture with Rum Jungle Uranium Ltd being established for the Batchelor EL25204 tenement during 2008.

4.2 WORK COMPLETED  2008

During this reporting period exploration activities within EL25204 comprised of detailed reconnaissance traversing of the iron prospective rock units within the south eastern portion of the tenement. No prominent ironstone outcrops were identified, hence planned scout RC drilling was deferred, as more field work was needed for drill target generation.

New QuickBird satellite was ordered through SKM during the year to assist with target generation.

The reconnaissance mapping indicated that the majority of the iron ore prospective Wildman Formation stratigraphy is overlain by sand cover and magnetite bearing laterite. East-west traverses totaling 22km (covering an area of 4.5km²) were undertaken in September 2008.
Carbonaceous shale units of the Wildman and Whites Formations were visible in small outcrops in the western side of the mapping area, but no iron stone outcrop was identified.

Five (5) rock-chip samples for geochemical analysis were submitted for the limited laterite, quartz vein and ferruginised carbonaceous shale outcrops found in the mapping area. No significantly anomalous results were obtained from this sampling (see Appendix 2 for digital presentation of the results).

Only limited work was completed on uranium exploration during 2008, as Rum Jungle Uranium Ltd only signed off on the Joint Venture Agreement (and variations) with Territory Resources Ltd late in 2008.

4.3 WORK COMPLETED 2009

Territory Resources Ltd relinquished four (4) graticular blocks from EL25204 in late 2008 and this is reported in Lottering (2009).

Exploration activities on the remaining tenure for the year included acquisition, processing and interpretation of 118km of TEMPEST airborne EM data and basic field reconnaissance. TEMPEST was flown to try and detect uranium mineralisation hosted by graphitic shear zones. This work is discussed in detail in Hassall (2009) and all relevant digital data is supplied with the Annual Report.

The TEMPEST electromagnetic and magnetic survey was undertaken between 15th April 2009 and 7th May 2009 by Fugro Airborne Surveys Pty Ltd. The survey was flown using a Shorts Skyvan SC3-200 aircraft, registration VH-WGT, owned and operated by FAS.

Due to extensive delays data was not delivered to Rum Jungle Uranium Limited until July 2009. Interpretation of flight data was undertaken and a number of anomalies were identified. Brief field visits were undertaken to check anomalies on the ground but it was decided not to drill test any anomalies, owing to better anomalies being outlined beyond EL25204.

Generally, no significant targets were generated from this work administered by Rum Jungle Uranium Ltd.

No field work was conducted for iron ore exploration in 2009, owing to limited Exploration budgets being directed preferentially to Territory’s Frances Creek mining operation during the GFC.

5. SUMMARY

Despite the presence of limited iron enrichment noted in prospective stratigraphy of the Wildman Formation in the eastern and south eastern section of the Batchelor EL25204 tenement, there appears little chance of a significant economic deposit of either iron ore or associated manganese mineralisation being present here.

A detailed TEMPEST geophysical survey completed by Rum Jungle Uranium Ltd as part of a JV arrangement with Territory Resources Ltd also indicated limited prospectivity for
uranium mineralisation within EL25204. Consequently the tenement has been surrendered after discussions between Territory and Rum Jungle Uranium Ltd.

6. REFERENCES


APPENDIX 1
SITE VISIT REPORT – OCTOBER 2007
MEMORANDUM

TO: Bob Vivian
CC: Andrew Wood
FROM: Fiona Meaker
DATE: 8/10/07
SUBJECT: REPORT ON RECONNAISSANCE VISIT TO BATCHELOR

Summary

- EL25204, EL2503 were inspected for any conspicuous outcrops in a drive-around with pastoral lease owner Albert Albany.
- The boundaries of leases were circumnavigated by vehicle where possible, through fire trails.
- EL24412 was inaccessible and owners could not be found.
- Vegetation was scrubby and typical of Wildman Siltstone.
- Topography was mostly flat with some undulating areas.

Introduction

A reconnaissance trip was made to the Batchelor ELs on 5th October 2007, with the intent to determine ease of access, ground conditions and the existence or not of mineralised outcrops over the area. I was accompanied by Andrew Wood, Geologist for Territory Iron and Albert Albany owner of EL25204 and EL2503. EL24412 could only be seen from Miles road and owner could not be located.

Inspected Areas

EL2504 and EL2503 were firstly inspected through driving around local fire trails and locating boundary points from maps and GPS points. The owner of the two leases, Mr Albert Albany, was contacted and agreed to show us around the property guiding us to known outcrops. Two areas of iron stained breccia outcrop were located (8551175mN, 722240mE) and (8551111mN, 722631mE); with the second being just off the lease area (GDA94 Zone 52 coordinates). The vegetation was characteristic of the Wildman Siltstone - being scrubby, and thick with palms. Black earth plain terrain with tall grasses and medium density scrubby tree vegetation characterised some areas to the South East. Photographs of the visited area are shown as Photos 1-4.

Mineralisation appears to have formed as a ferricrete and iron staining on a brecciated rock unit. Bedding was undiscernible. The mineralisation is dominantly goethite with some haematite content. A more thorough traverse of the area with appropriate sampling in the dry season is needed to assess mineralisation and extent of outcrop.
Photo 1. Entrance to Albert Albany property EL25204 – 720220mE, 8553842mN (GDA94, Zone 52)

Photo 2 - Iron stained Breccia. 722240mE, 8551175mN (GDA94, Zone 52)
Photo 3 - Iron stained breccia 722631mE, N8551111mN (GDA94, Zone52)

Photo 4. Close up of above.
APPENDIX 2

ROCK CHIP SAMPLE RESULTS (attached digitally as *.txt file)