Northern Territory Government

Geophysics and Drilling Collaborations Round 2

Results – Drilling

"Bringing Forward Discovery"

TERRITORY URANIUM COMPANY LTD.
ABN# 94 115 770 226

ASX:(TUC)

CONFIDENTIAL COMMERCIAL INFORMATION

Daly River Uranium Exploration, 'targeted drilling in covered terrain'
(EL 25222 – EL 25223)

THE FINAL REPORT

Pine Creek SD5208 1:250,000
Tipperary 5170 1:100,000
Geodetic Datum of Australia 94, Zone 52

November 2010

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EXECUTIVE SUMMARY

Territory Uranium Company (TUC) conducted a drill program exploring for unconformity related Uranium mineralisation at Project Green. The program was undertaken in collaboration with the Northern Territory Government's "Bringing Forward Discovery" initiative, as one of the 2009/10 Geophysics and Drilling Collaboration projects.

Drilling was performed in June-July 2010, during the third year of tenure on the exploration licence 25222. The drilling consisted of 2 diamond holes for 1,066.9m. Drilling targeted unconformitry style uranium mineralisation based on the interpretation of electromagnetic conductors which coincided with uranium soil anomalies and a north-south fault delineated from the electromagnetic sections.

Unfortunately neither drillhole intersected the unconformity due to time and cost constraints (slow penetration costs) of the program. The two drillholes show the Tolmer Group sequence thins to the North. The drilling also determined the electromagnetic conductor to be the top of the Waterbag Formation, and the electromagnetic section shows the Tolmer Group also thins to the East. The cause of the Uranium soil anomalies remains unknown and the interpretation of a north-south structure remains unproven.

These points have provided TUC with valuable insight into the Daly River region, and will assist with further exploration at Project Green and the surrounding Daly River Project.

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1. INTRODUCTION

Territory Uranium Company (TUC) conducted a drill program exploring for unconformity related Uranium mineralisation at Project Green in the Daly Region. The drilling was performed in June-July 2010, during the third year of tenure on the exploration licence 25222. The drilling consisted of 2 diamond drill holes for 1,066.9m targeting unconformity style uranium mineralisation based on the interpretation of electromagnetic conductors. The program was undertaken in collaboration with the Northern Territory Government's "Bringing Forward Discovery" initiative, as one of the 2009/10 Geophysics and Drilling Collaboration projects.

2. REGIONAL CONTEXT

2.1 Stratigraphy

Project Green is located in the centre of the Daly Basin slightly east of a flat lying Cambrian Tindal limestone (up to 200m thick) of the Daly Group which unconformably on-laps onto older Mid Proterozoic and weakly folded to horizontal sandstones, dolomites and shales of the Tolmer Group. Historic drilling distinguishes the the Tindal limestone into two distinct sequence, with a limestone unit sitting above a brown Calcareous Shale. The historic North Exploration diamond drilling (1995) and NTGS mapping shows the Tindal Limestone sequence thins over the Project Green area. The 100-600m thick Tolmer Group sediments sit unconformably on more graphitic and carbonaceous Lower Proterozoic Burrel Creek formation of the Central Pine Creek Orogen.

The strongly folded basement is thought to represent a basinal analogy for the Alligator River Uranium Field (ARUF) Cahill Formation. The overlying Tolmer Group is interpreted to be basinal analogy for the ARUF Kombolgie Formation and cover sequence.

2.2 Extrusives

In the east of EL 25222 and EL 25223 Cambrian Antrim Plateau flood basalts are seen to outcrop west of the northwest trending Dorisvale fault zone; on top of Tolmer group sediments (Figure 1). TUC hypothesize that these flood basalts have extruded along fissures associated with the northwest trending Dorisvale fault zone providing evidence for this structural zone being a deeper seated major fluid conduit which is likely to have been active since the early Proterozoic (uranium mineralising) times. Late stage hydrothermal activity associated with this Cambrian volcanism is thought to be partially responsible for Mississippi Valley type (MVT) base metal mineralisation at nearby occurrences in the Project Green area (Figure 1) and could also be responsible for secondary hydrothermal movement of any potential mineralisation in the region (including uranium).

2.3 Structure

In the Project Green area, sectional interpretation (Figure 2 along composite section line ABCD in Figure 1) indicates that strongly folded Lower Proterozoic basement has been uplifted against the major northwest trending Dorisvale fault zone. This may have caused a paleao basement high responsible for the margins and thinning of the Daly Basin Cambrian stratigraphy in this area. Evidence for this uplift is seen in the folded nature of the mid Proterozoic Tolmer Group and progressive uplift to the east against this major structural corridor in conjunction with northeast trending splays of the northeast trending Giants Reef Fault in the Rock Candy Ranges area. The cross section in Figure 6 illustrates this district wide uplift of basement as a series of thrust tip folds and upthrust blocks in an easterly progression. This uplift is believed by TUC to have brought the uranium prospective Mid Proterozoic unconformity to more economic depths within this area.

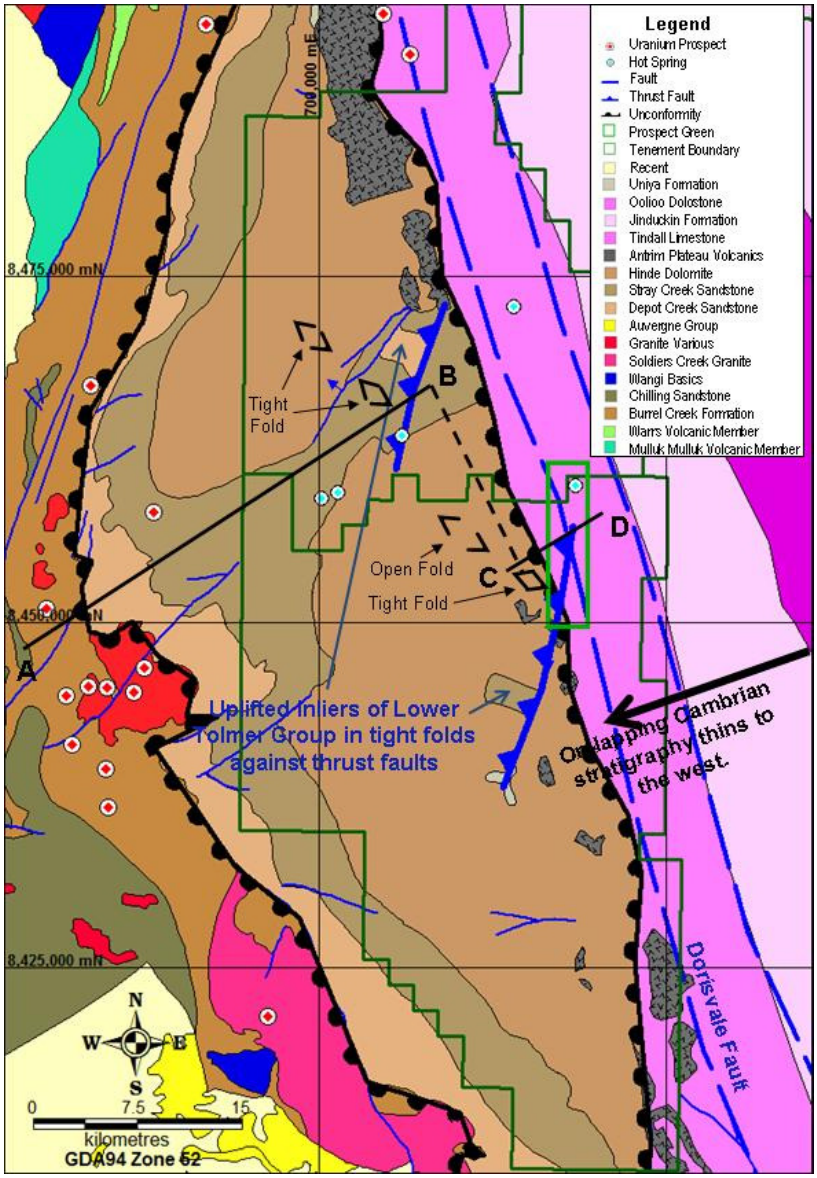

Figure 1 Regional Geology Map

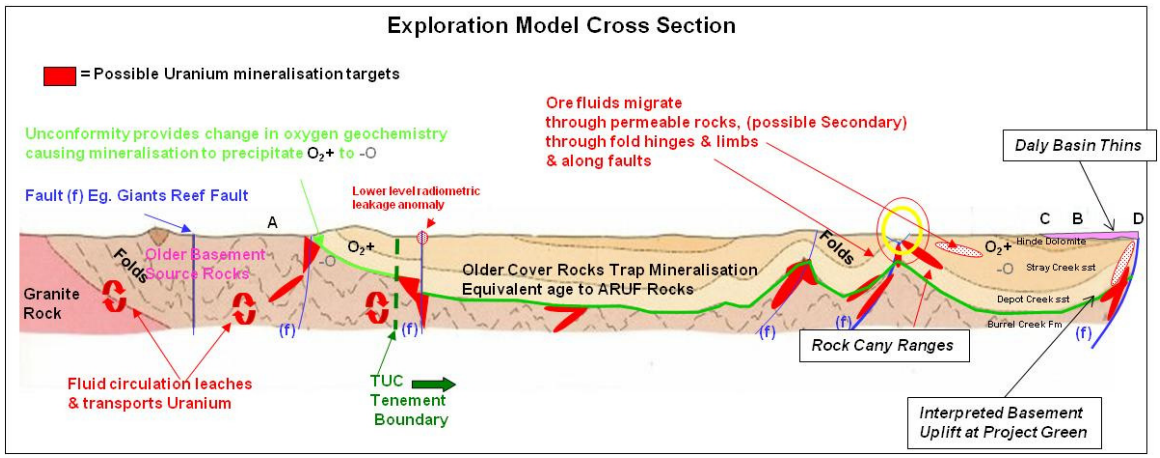

Figure 2 Regional Geological and exploration model cross section ABCD (reference Figure 4)

2.4 Drill Holes

In June/July 2010 TUC drilled two diamond holes in the Green project area. The details of the holes can be found in Table 1.

Hole ID	Easting	Northing	Elevation	Dip/Azimuth	Total Depth
TDD04	718430	8452000	47m	-55/090	553.7m
TDD05B	717350	8460500	24m	-60/090	513.2m

Table 1 Drill Hole Details

2.5 Sampling, Analysis and Measurement

Table 2 details the drilling, sampling, analysis and measurement protocols for the proposed drill program.

Drilling Method	Drilling was undertaken with conventional HQ/NQ wireline coring tools.
Core Orientation	Core was orientated on every run with an in core barrel ezi mark tool.
Down Hole Orientation Survey	Down hole survey information was taken at the collar to ensure correct hole set up and at regular intervals down the hole. An electronic multi shot tool was used.
Core Mark Up	All core was marked at 1m intervals and orientation and sample lines added where possible.
Sample Quality	Diamond core, normal quality measures applied.
Logging	Diamond Core was logged digitally (Tables include Lithology, Weathering and Regolith, Water Intersections, Structure, Veining, Alteration, Mineralisation, Geotechnical including RQD data, Specific Gravity and Magnetic Susceptibility) in a Microsoft Access Database which is located in Appendix B.
Sampling Procedure	Sampling of core commenced once all core photography, logging and geophysical analysis was completed. Samples of ½ core were taken to geological intervals generally at 1m intervals (maximum 1.4m, minimum 0.3m). Core was sampled in areas of geological interest, to geological boundaries or to provide a multi element geochemical signature of specific units.
Geophysical and Petrophysical Analysis of Core	The core was weighed in and out of water to calculate specific gravity roughly every 10m. Magnetic Susceptibility was also recorded every metre along the core.
Sample Dispatch	Samples were dispatched from the TUC Darwin office to Amdel in Adelaide via Amdel's sample preparation laboratory in Darwin.
Analysis	Drill core remains to be cut, but when the core is sampled all samples will be sent to Amdel Laboratory in Adelaide for the following analysis: Fire Assay - Au (1ppb), Pt (1ppb), Pd (1ppm) Multi-Acid Digest ICPMS Analysis- Ag (0.1ppm), As (0.5ppm), Ba (5ppm), Bi (0.01ppm), Co (0.2ppm), Cr (2ppm), Cu (2ppm), Fe (100ppm), Mo (0.1), Ni (2ppm), Pb (5ppm), Th (0.1ppm), U (0.1ppm), , and Zn (0.5ppm). In addition to this 10 samples were selected for IC4 whole rock analysis.
Analysis QAQC	Laboratory QAQC procedures including blanks, duplicate analysis and standard analysis were employed. Amdel Laboratory complies with to AS9001 Quality Systems standards and partakes in round robin check analysis with other laboratories.

Table 2 Drilling Sampling and Measurement Protocol

3. RESULTS

3.1 Southern Anomaly - TDD04

The design of TDD04 was based on the interpretation of the VTEM section combined with the location of the southern radiometric and soil anomaly. The interpretation of the VTEM section hypothesized a fault running through the area slightly west of the extents of a uranium soil sample anomaly. The VTEM section showed the base of the conductor to be at a depth of 240m, which was interpreted to be the uncomformity between the Tolmer Group and the Burrell Creek formation. TUC designed TDD04 to drill under the Uranium Anomaly, intersecting the fault close to the uncomformity with the Burrell Creek Formation.

The drill hole started in the Limestone (0-43m) and Calcareous Shale (43-71.8 m) which make up the Tindal Limestone, this unit is situated above the Antrim Plateau Volcanics which was intersected between 71.8 and 130.3m. Uncomformably below the Antrim Plateau Volcanics is the Waterbag Formation (or Hinde Dolomite), comprised of a distinct alternating thinly bedded sequence of green and red shales. At the base of the Waterbag Formation at 233m, near the base of the electromagnetic conductor (240m), the drillhole encounted the Stray Creek Sandstone. It is now thought to be a conductive unit within the Waterbag Formation. The Stray Creek Sandstone, a very hard arenite, unit continued to a depth of 340m where there was a non distinct boundary with the Depot Creek Sandstone. The sandstone unit can be distinguished from the Stray Creek by small zones of graded bedding, which contained small rounded quartz pebbles.

The drillhole was ended at 553m, whilst still in the Depot Creek Sandstone, due to escalating costs associated with slow penetration rates. The unconformity was not intersected.

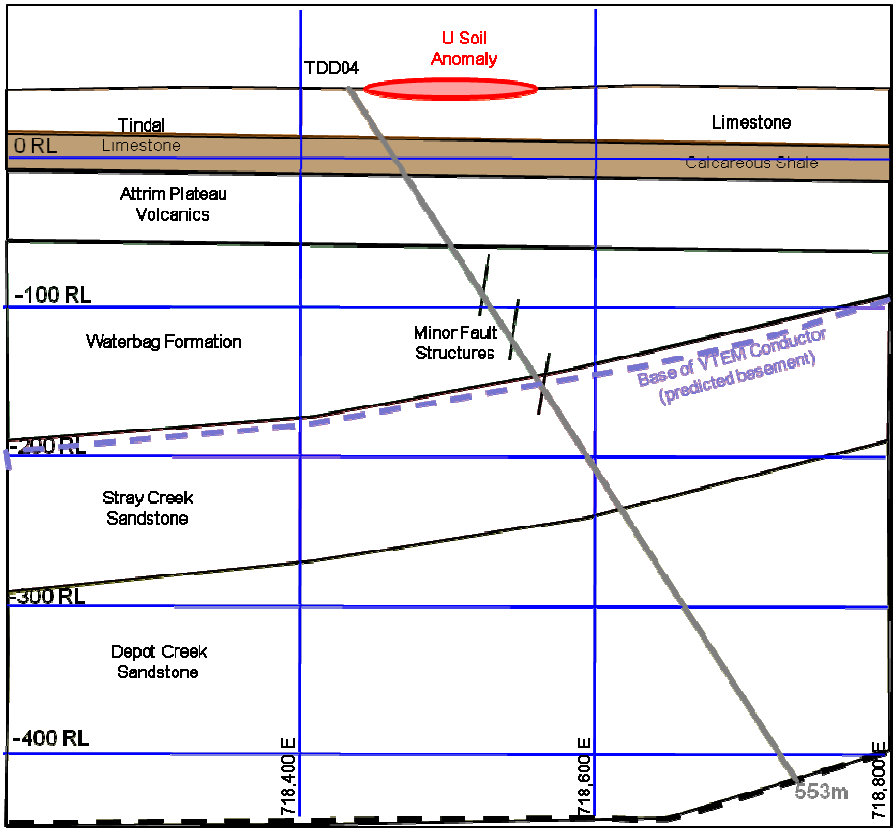

Figure 3 Drill log of TDD04, note minor fault structures were noticed where the fault was predicted, however the drill hole never reached basement.

3.2 Northern Anomaly – TDD05B

TDD05B was chosen based on the results of TDD04 and the interpretation that the cover sequence and the Tolmer Group Sediments thin to the North. The depth of the cover at TDD05 could not be determined to due to the Daly River interfering with the VTEM Sections. The drillhole was designed to test if the Tolmer Group stratigraphy was shallower than in TDD04, and also drill under the northern uranium soil anomaly. The hole was also designed to intersect the interpreted fault which runs through the Project Green field area.

The Tindal Limestone in drillhole TDD05 was noticeably thinner than TDD04, as the drill hole started out in the lower Calcareous Shale unit. Also in this hole the Tindal limestone unit sits uncomformably on the Waterbag formation which was intersected at a depth of 83m, 47.3m higher than in TDD04. The Antrim Plateau Volcanics encountered between the Tindal and Waterbag units in TDD04 was noticeable absent from TDD05.

TDD05 drilled through the Stray Creek Sandstone which was only 59m thick (107m thick in TDD04) and into the Depot Creek Sandstone at a depth of 154m, a lot shallower depth than in TDD04 (340m).

With the intension of drilling through the Depot Creek Sandstone into the Burrell Creek formation the drillhole was continued until a depth of 513.2m. Unfortunately the drillhole did not intersect basement due to time and cost constraint (slow penetration costs) of the program.

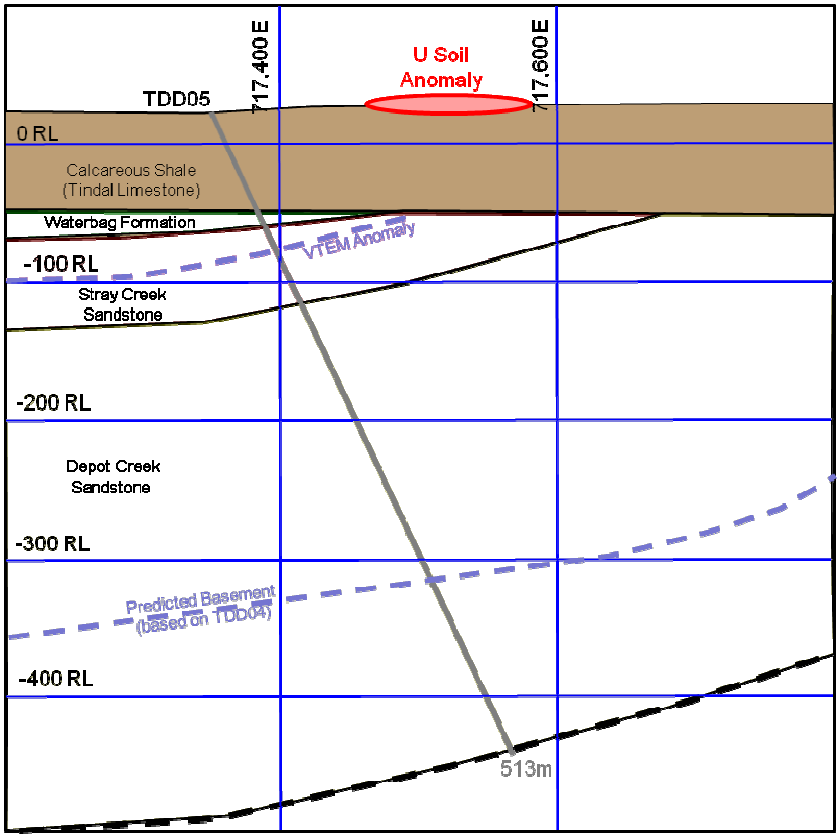

Figure 4 TDD05B intersected the Waterbag, Stray Creek and Depot Creek units at a shallower depth then TDD04. The Depot Creek Sandstone unit was much thicker than anticipated, and the drillhole was unable to drill through the unit into the Burrell Creek formation which underlies the Depot Creek.

4. COST OF PROGRAM

The costs involved in this work program are detailed below in Table 3 (inclusive of GST). The collaborations request is for the maximum amount allowable under the scheme ($100,000).

Cost centre	Total Item Cost (A$)
Diamond Drilling	$298,922.46
Total Applicable to Collaborations	$298,922.46 (**$100,000 from Collaborations**)
Mobilisation/Demobilisation and Setup	$14,017
Assay Cost	Assays Pending
Track and Pad Clearance & Rehabilitation	$27,920.00
Water Carting	$10,600.00
Total Cost	**$351,459.50**

Table 3 Diamond Drill Program Costs

5. CONCLUSIONS/RECOMMENDATIONS

The drilling program determined that the base of the VTEM conductor, originally hypothesised to be the unconformity between the Tolmer Group and Burrell Creek Formation was actually a conductive unit within the Waterbag Formation close to the Stray Creek Sandstone, within the Tolmer Group. The unconformity was proven to be too deep at the drill locations, especially considering the hard nature of the overlying sandstone. However the drilling did demonstrate that the stratigraphy is shallowing to the North. With confirmation that the conductor is the Waterbag Formation, the VTEM section shows the stratigraphy is also shallower to the East.

The source of the radiometric and Uranium soil anomalies remains unknown, and the interpretation of a major north-south trending fault in the project area remains unproved.

Based on these conclusions further exploration is required:

- The central radiometric anomaly has the strongest evidence of the north-south fault shown by the proximity of a small fault scarp. The orientation of which strikes in the same direction as the structure which was interpreted in the VTEM section. It is recommended a hole is drill to test for Uranium mineralisation along the structure in the cover sequence and for possible up lifted basement.
- Targeting the main fault, at the northern and southern anomalies,
- Explore North of the Daly River where Radiometric anomalies exist and basement should be shallower.
- Explore to the East where basement should be shallower and a North South Radiometric Anomaly exists (see Figure 5).

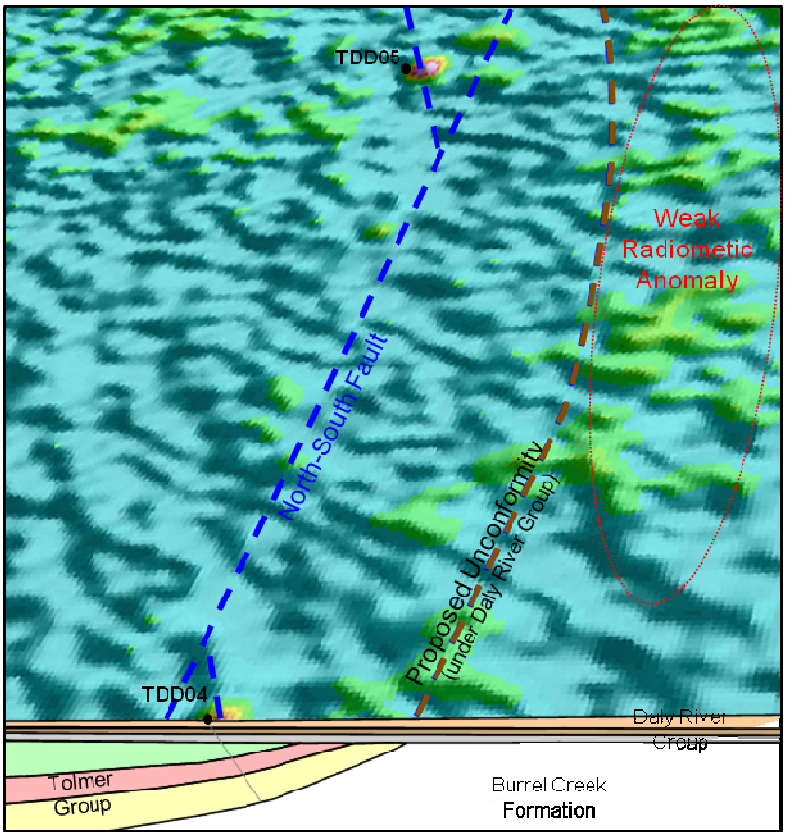

Figure 5 3D cross section of Project Green, showing the Tolmer Group shallowing to the East, and the location of the proposed unconformity (buried below the Daly Group).

6. APPENDIX A – MICROSOFT ACCESS DATABASE

7. APPENDIX B – CROSS SECTION – TDD04

8. APPENDIX C – CROSS SECTION – TDD05B