Title Holder	Territory Resources Limited
Operator	Territory Resources Limited
Tenement Manager / Agent	Australian Mining & Exploration Title Services (AMETS) Darwin office
Titles / Tenements	EL26071
Mine / Project Details	Reynolds Range
Reporting Title	EL26071: Final Surrender Report and Annual Report for the Period 18th January 2008 to 17th January 2013
Personal Authors	Andy Burgess, Business Development Analyst
Corporate Authors	Territory Resources Limited
Company Reference Number	
Target Commodity	Iron Ore, Manganese
Report Date	21 March 2013
Datum / Zone	GDA94 / Zone 53
250k Mapsheet	Napperby SF53-09
100k Mapsheet	Reynolds Range 5453
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TERRITORY RESOURCES LIMITED

A.C.N. 100 552 118

EL26071

FINAL SURRENDER REPORT

&

ANNUAL EXPLORATION REPORT

FOR THE PERIOD

18th JANUARY 2008 TO 17th JANUARY 2013

Napperby SF53-09 1:250,000 Sheet
Reynolds Range 5453 1:100, 000 Sheet
NORTHERN TERRITORY

A. Burgess
March 2013

SUMMARY

This Final Surrender Report summarises work completed for tenement EL26071 at Reynolds Range for the period of grant on 18th January 2008 to expiry of the tenement on January 23rd 2013.

This Annual Report summarises work completed for the period 18th January 2008 to 17th January 2013.

The activities on EL26071 during the reporting year consisted of:

- Desktop studies and historical reviews (in conjunction with adjacent tenement EL28077)
- Helicopter assisted reconnaissance geological mapping and rock-chip sampling survey within EL28077 (and adjacent EL26071)
- A subsequent review of the above geological mapping and rock-chip sampling survey

From this review, the Company was of the opinion that sizeable economic occurrences of iron and/or manganese were not present. The decision was made during the reporting period to surrender tenement EL26071.

The Expenditure for the reporting period was $31,540.

CONTENTS

1. INTRODUCTION

This Final Surrender Report is submitted by Territory Resources Ltd (Territory) to meet statutory reporting requirements on tenement EL26071. A surrender letter was sent to the Department of Mines & Energy (DME) on the 16th January 2013; final notification from the DME stated that the tenement was surrendered outright on 23rd January 2013. The anniversary date for the tenement is 18th January 2013.

This annual report details exploration activities for iron and manganese mineralisation conducted by Territory Resources Limited during the period 18th January 2012 to 17th January 2013 on EL26071. The location of the tenement is shown below (*Figure 1)*.

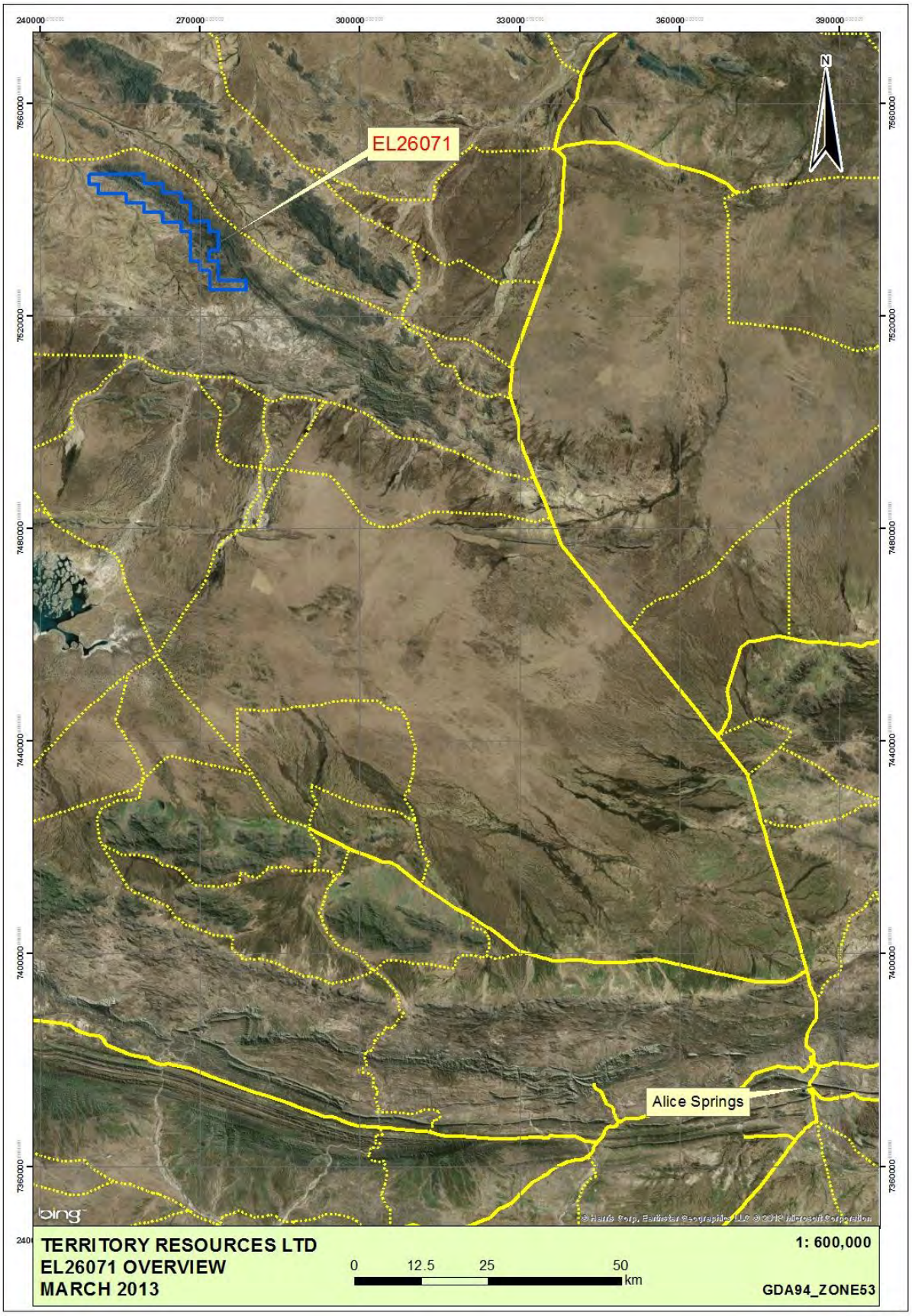

Figure 1: Overview of Tenement location

2. LOCATION AND ACCESS

Exploration License 26071 (Mt Gardiner) is located 200km NNW of Alice Springs and 90km NW of the Aileron Roadhouse on the Stuart Highway, (Figure 1). The license covers some 35km of the northern part of the length of the northwest trending Reynolds Range that stretches over 100km from the Stuart Highway southeast of Aileron to Coniston Station in the northwest.

The northern flank of the Range is accessible by the Pine Hill Road that leaves the Stuart Highway near Aileron, crossing tributaries that drain northwards into the Lander River. This unsealed road continues around the northern end of the range has far as the Warburton River where it meets a track from Napperby Station that passes, via Napperby Creek, northwestwards between the Warburton River and the southern flanks of the range. Fence lines, tracks to waterholes and yards and disused tracks extend from both roads into the foothills of the range. The main part of the range is inaccessible by vehicle due to high relief and rough terrain and much of the previous exploration reconnaissance work was carried out by helicopter.

3. TENURE

EL26071 comprises 45 blocks totaling 142.7 km^2 and was applied for on the 23 April 2007 by Matilda Minerals Ltd. The tenement was granted on 18 January 2008 for an initial period of six years. On 17th March 2008, Matilda entered into a Heads of Agreement for a Joint Venture with NuPower to explore three of their tenements in the Aileron Region, including EL26071. In October 2008 Matilda Minerals went into voluntary administration. NuPower managed the license and kept it in good standing for year 1 and 2. Matilda Minerals came out of administration in October 2010 and changed its name to Blackwood Corporation Limited ('Blackwood'). This was relisted on the ASX in December 2010 as a bulk commodity explorer with a large portfolio of coal tenements in Queensland. According to ASX reports, NuPower was to earn a 51% interest by spending $1 million on these three tenements. All tenements, (including EL26071) remained 100% in Matilda Minerals Ltd name (i.e. Blackwood), which suggests NuPower did not spend sufficiently to earn the interest in EL26071.

In 2011, Blackwood initiated the selling of tenement EL26071 to Territory Resources Ltd. Territory took over all reporting and expenditure requirements, and submitted a waiver of reduction in December 2011, which was accepted to retain all 45 blocks in the tenement. The transfer of EL26071 from Blackwood to Territory was completed on the 11h April 2012 for 100% ownership of the tenement. The expiry date of EL26071 was to be the 17th January 2014. However, after a review of the helicopter assisted geological mapping and sampling survey completed in this reporting period, the decision was made to surrender the tenement. A surrender letter was sent to the Department of Mines & Energy (DME) on the 16th January 2013; final notification from the DME stated that the tenement was surrendered outright on 23rd January 2013.

3.1 LAND TENURE

Land tenure under the title includes parts of:

- Coniston Station, PPL 1096 - NT Portion 690 'Coniston'. Owned by Maxwell & Jacqueline Lines, PO Box 1419, Alice Springs NT 0871
- Napperby Station, PPL 1177/1178 – NT Portion 748 'Napperby'. Owned by Hiraji Pty Ltd, via Alice Springs NT 0870
- Pine Hill Station, PPL 1030 – NT Portion 725, 'Pine Hill'. Owned by Gilbert Bowman Family Trust, via Alice Springs NT 0870.

3.2 ABORIGINAL HERITAGE SURVEY AND NATIVE TITLE

There are no Native Title Claims over the area. A registered ILUA, Reynolds Range ILUA, Registration No. D12005/002 to the CLC dated 28/10/2005 surrounds and abuts the Exploration License but does not cover it.

There is no Exploration Agreement in place between the original owners of the Exploration License, Matilda Minerals Ltd, and the CLC on behalf of Traditional Owners. A meeting with the registered Native Title Claimants before commencing exploration activities is required unless the activity is of a reconnaissance nature. To date, work on the tenement has only been reconnaissance exploration, with no ground disturbing activities taking place.

4. DISTRICT GEOLOGY & MINERALISATION

Rocks of the Lander Rock Package are the oldest sedimentary rocks present comprising quartz sandstone, siltstone shale and slate, of granitic origin, that outcrop around the northern flanks of the Range. They are highly folded and metamorphosed to lower greenschist facies in the north rising to upper amphibolite-lower granulite facies in the southernmost part of the Ranges. Andalusite-bearing slates in the south part of Mt Gardiner contain a small lens of Wickstead Creek calc-silicates, and similar lenses of calc-silicates form isolated masses in the southernmost part of the license. Amphibolites, probably derived from basalt lava flows, form minor, widespread conformable lenses.

The Reynolds Range Group unconformably overlies the Lander Rock Package consisting of quartzite, shale, and carbonate, comprising the Mt Thomas Quartzite, Pine Hill Formation, Algamba Dolomite Member, and Woodforde River Beds. The group is extensively intruded by sills of retrogressively metamorphosed microgranite of the Coniston and Warimbi Schists.

Three sills of microgranite, partly or wholly retrogressed to orthoschist, are exposed in the northern part of Reynolds Range; Yakalibadgi Microgranite, Coniston Schist and Warimbi Schist. The Yakalibadgi Microgranite outcrops along the southern flanks of the Reynolds Range and it has undergone variable retrogressive metamorphism to a foliated muscovite-biotite-feldspar orthoschist but retains minor zones of porphyritic microgranite and medium grained granite. It intrudes the Lander Rock Beds below the Mt Thomas Quartzite. It appears to not have intruded the Quartzite itself but its elongate shape parallel to the Quartzite suggests that it was emplaced along the unconformity at the base of the Quartzite.

The central part of Mt Gardiner is underlain by Coniston Schist, comprising highly deformed and retrogressive biotite-sericite-quartz orthoschist. Minor relict bodies of porphyry and microgranite are also present. It is separated from the Yakalibadgi Microgranite by the basal conglomerate of the Mt Thomas Quartzite. It is succeeded to the north by the main mass of Quartzite and so appears to have been intruded as a sill, about 600m thick, along the top of the basal conglomerate.

The Warimbi Schist is restricted to the southernmost part of the area and comprises a biotite-sericite quartz orthoschist. It was emplaced as a saucer-shaped lopolith 250m thick. Centrally

the underside of the lopolith lies at the unconformity between the Lander Rock Beds and the Mt Thomas Quartzite but it gradually rises north and south up-section though the Quartzite and breaks out into the overlying Pine Hill Formation. It contains numerous rafts of the Quartzite.

Dissected Cainozoic fanglomerates are well developed on the flanks of the Range which, to the south of the Range, grades outwards to extensive Quaternary red earth plains. The red earth plains are overlain locally with Quaternary alluvium of river gravels and sheet wash. Quaternary calcrete is developed locally in some peripheral drainages. Quaternary lag gravels are preserved locally over deeply weathered bedrock.

Mineralisation

Open file company reports and descriptions of the Reynolds Range region by the NTGS indicate numerous occurrences of mineralisation. These include copper-lead-zinc, gold, tungsten, tin, tantalum, rare earth elements, mica, nickel, chromium, semi-precious stones, talc, iron and uranium. A variety of mineralisation styles have potential in the Reynolds Range region but few mineralisation styles have yielded positive results.

The most significant resource discovered to date is the Nolan's Bore Phosphate-Rare Earth Element-Uranium deposit currently being investigated by Arafura Resources NL within EL 23671. In addition, Poseidon Gold discovered numerous zones of gold-arsenic-antimony mineralisation that include the Assegai, Sabre Falchion, Claymore, Yataghan, Scimitar and Rapier prospects, located north of Mount Thomas.

Previous workers have examined the potential for bulk mineral potential deposits, specifically Channel and Detrital iron ore and strata form manganese deposits. The northern flanks of the Reynolds Range between Mt Gardiner and Mt Thomas host an iron rich sequence of metasediments which have a number of reported haematite occurrences . Air magnetics are reported to suggest extensive iron occurrences along this range. Within this iron rich sequence on the northern flanks of the Reynolds Range a manganese occurrence has been recorded in a dolomite unit some 10 kilometres long and up to 300 meters thick in a geological setting very similar to the Bootu Creek Manganese Mine. The DoR website reports sampling of surface enrichment up to 58% Mn. The Napperby regional geology 250k with known hematite and magnetite occurrences is shown below (Figure 2).

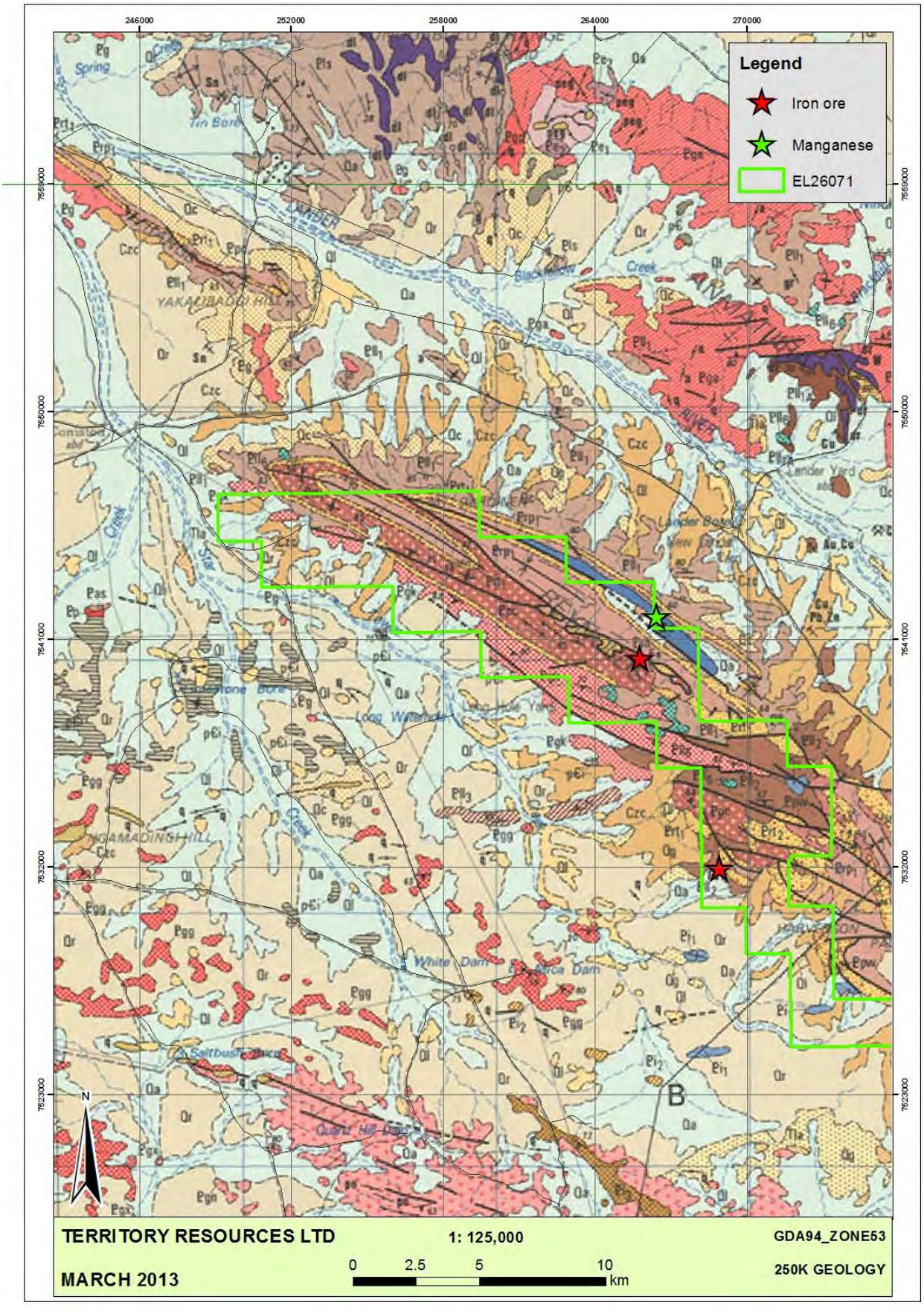

Figure 2: Napperby 250k Geology with known hematite and manganese occurrences

5. EXPLORATION ACTIVITIES ON EL26071

5.1 Reporting Year – 18th January 2012 to 17th January 2013

Work undertaken by Territory Resources over EL26071 in the reporting year includes:

- Desktop studies and historical reviews (in conjunction with adjacent tenement EL28077)
- Helicopter assisted reconnaissance geological mapping and rock-chip sampling survey within EL26071 (and adjacent EL28077).

Helicopter assisted mapping & rock-chip sampling survey

In February 2012, a team of four geologists, three from Territory Resources Ltd and a private consultant undertook a helicopter-based reconnaissance survey within the Reynolds Range over tenements EL26071 (and EL28077).

Hematite lodes are known to occur in the quartzites of the Reynolds Ranges in Central N.T. The work programme was designed to evaluate the iron and manganese mineralisation within EL26071 (and EL28077). The area was accessed by the Territory Resources team using a helicopter out of Aileron Roadhouse from the 21st to the 28th February 2012. Samples of the iron-bearing units were collected, field maps of the mineralised zones were made and notes taken. The geological report is attached in Appendix 1.

A total of 24 rock-chip samples were collected from tenement EL26071. Figure 3 shows where the rock-chip samples are located; the data for the rock-chips is attached in Appendix 2.

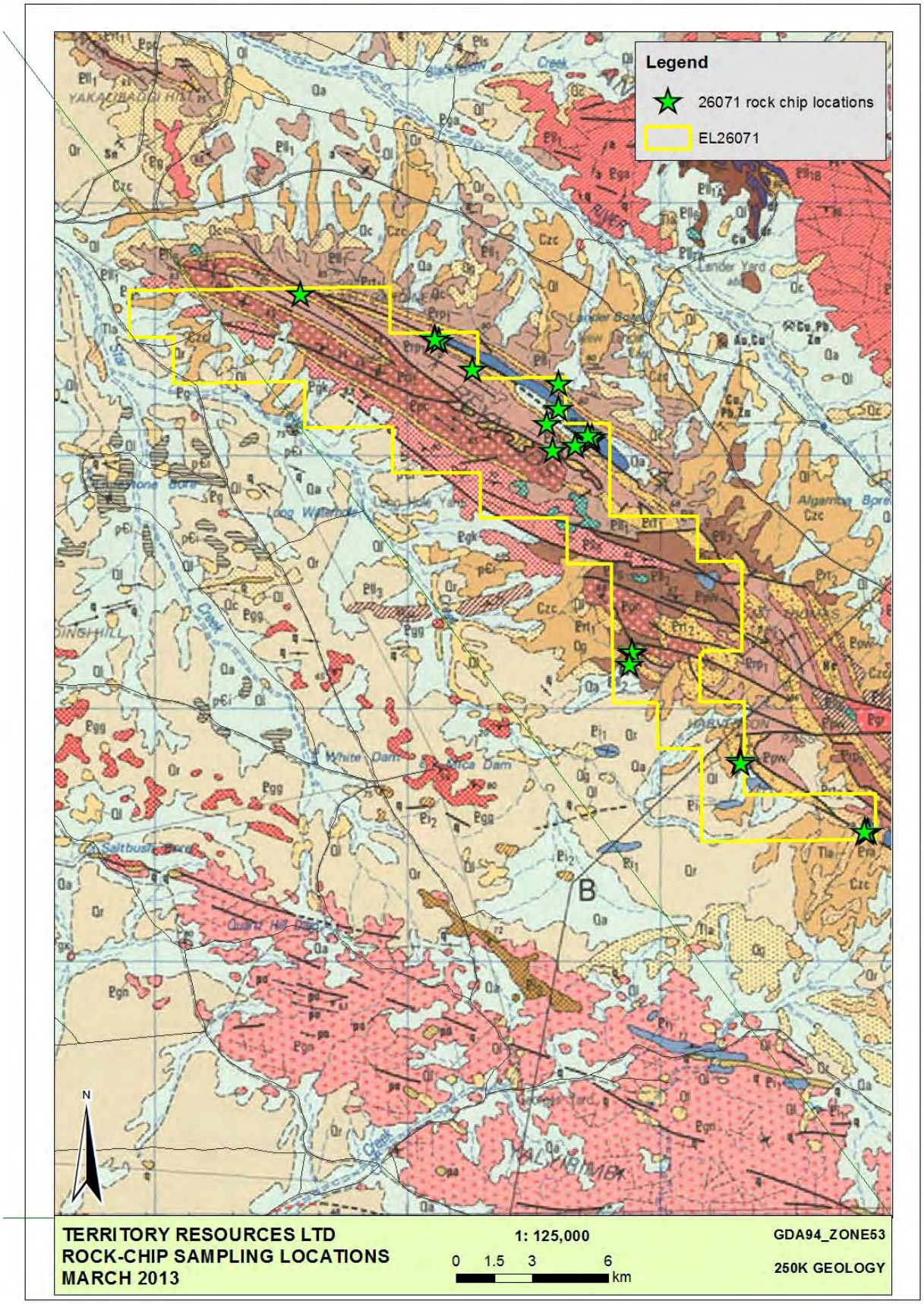

Figure 3: Rock-chip sampling locations within EL28077. Samples were taken during February 2012 helicopter assisted reconnaissance survey.

5.2 Summary 18th January 2008 to 17th January 2013

A very limited amount of exploration and geological programs were undertaken within EL26071 during the 5 years of the grant period of the tenement. In summary, the following works have been completed:

January 2008 – January 2009 (Year 1)

- No on-ground exploration was conducted on the license during this reporting period by Matilda Minerals or NuPower Resources (NuPower entered into JV agreement with Matilda on 18 March 2008, 2 months after the tenement was granted to Matilda). Matilda Minerals went into voluntary administration in October 2008. NuPower submitted the annual report, with activities limited to literature research of open file reports and compilation of geological, geochemical and geophysical datasets. Expenditure on the tenement for the reporting period was $2,565.

January 2009 – January 2010 (Year 2)

- No on-ground exploration was conducted on the license during this reporting period by NuPower Resources. Work consisted of reviews of open file reports and compilation of NTGS digital datasets and Landsat Imagery by NuPower. The target commodity for NuPower was uranium; the review down-graded the potential for uranium mineralisation. Expenditure on the tenement for the reporting period was $4,986.88.

January 2010 – January 2011 (Year 3)

- Blackwood Corporation Ltd (Matilda Minerals changed their name after coming out of voluntary administration) undertook a reappraisal of the tenement by completing desktop studies to determine its potential for bulk commodities, notably iron ore and manganese. No on-ground work was completed on the licence during this reporting period. Expenditure on the tenement for the reporting period was $10,819.

January 2011 – January 2012 (Year 4)

- Blackwood undertook no work on the tenement in this reporting period, as they were in the process of transferring the tenement to Territory Resources Ltd. The activities undertaken by Territory Resources included desktop studies and historical reviews (in conjunction with adjacent tenement EL28077), and obtaining satellite imagery from GeoImage, which included ortho-rectification and digital surface modeling for 2 metre contours. Expenditure on the tenement for the reporting period was $25,780.

January 2012 – January 2013 (Year 5)

- Details are written under the current reporting year (Section 5.1)

6. EXPENDITURE

Expenditure for the reporting period 18th January 2012 to 17rd January 2013 was **$31,540.** This is detailed in the NT Exploration Expenditure Statement attached.

7. REFERENCES

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