Title Holder	Territory Resources Limited
Operator	Territory Resources Limited
Tenement Manager / Agent	Australian Mining & Exploration Title Services (AMETS) Darwin office
Titles / Tenements	EL28077
Mine / Project Details	Reynolds Range
Reporting Title	EL28077: Final Surrender Report and Annual Report for the Period 14th March 2012 to 23rd January 2013
Personal Authors	Andy Burgess, Business Development Analyst
Corporate Authors	Territory Resources Limited
Company Reference Number	
Target Commodity	Iron Ore, Manganese
Report Date	15 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

EL28077

FINAL SURRENDER REPORT

&

ANNUAL EXPLORATION REPORT

FOR THE PERIOD

14th MARCH 2012 TO 23rd 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 EL28077 at Reynolds Range for the period of grant on 14th March 2011 to expiry of the tenement on January 23rd 2013. Territory Resources Ltd was the 100% owner of the tenement.

Individual Annual Reports for EL28077 were completed by Burgess, A (2012).

This Annual Report summarises work completed for the period 14th March 2012 to 23rd January 2013.

The activities on EL28077 during the reporting year consisted of:

- There was no field based work undertaken by Territory Resources over EL28077 in the reporting year.
- A review of the previous year's geological mapping and rock-chip sampling program which focused on iron and manganese mineralisation.

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 prior to the 2nd year anniversary of EL28077 to surrender the tenement.

CONTENTS

1. INTRODUCTION

The Final Surrender Report is submitted by Territory Resources Ltd (Territory) to meet statutory reporting requirements on tenement EL28077. 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, less than 2 months prior to its 2nd year anniversary on March 14th 2013.

This report details exploration activities for iron and manganese mineralisation conducted by Territory Resources Limited during the period 14th March 2012 to 23rd January 2013 on EL28077. The location of the tenement is shown below (*Figure 1)*.

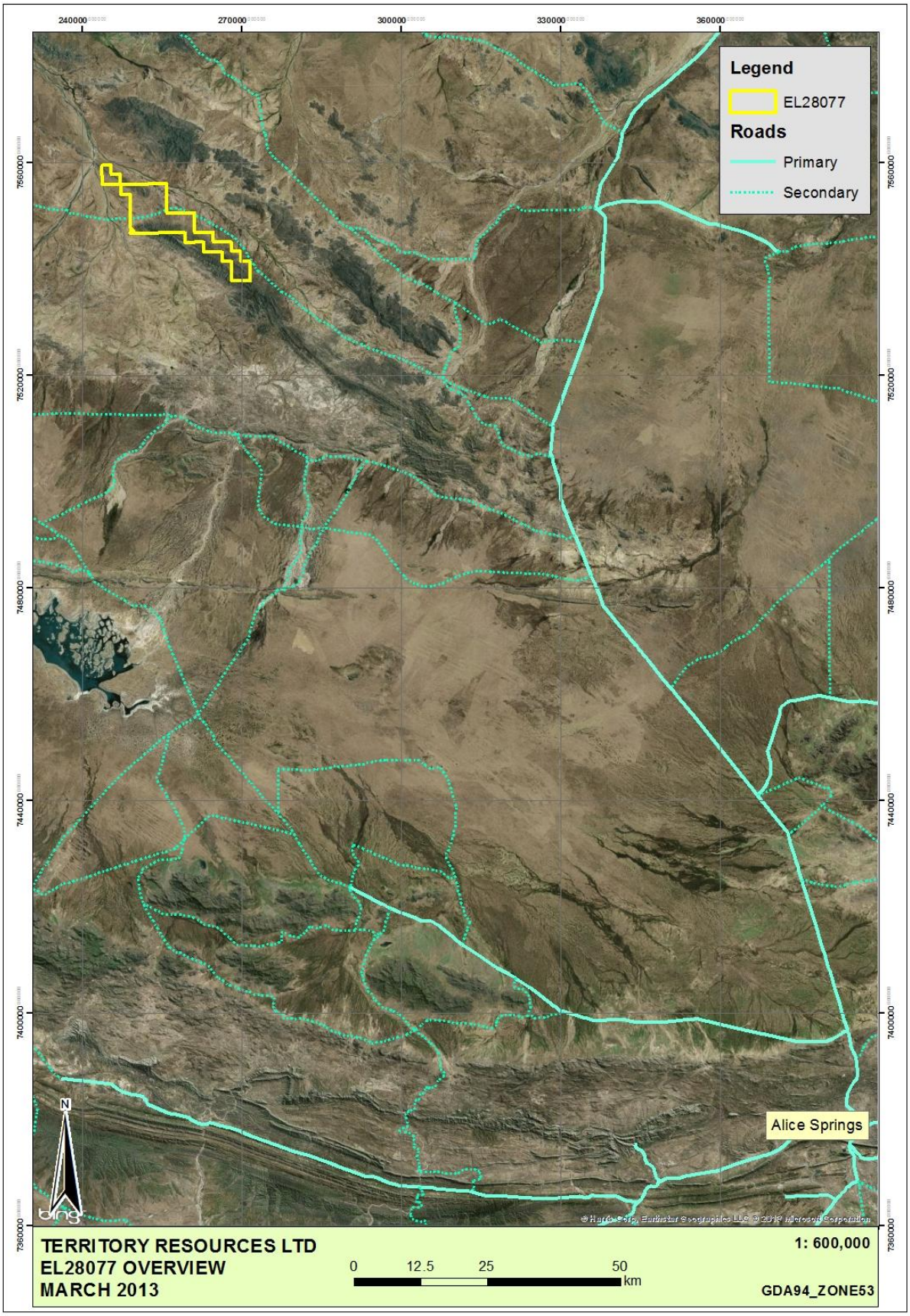

Figure 1: Overview of Tenement location

2. LOCATION AND ACCESS

Exploration License 28077 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

EL28077 comprised 42 square blocks totaling 133.47 km^2 and was granted to Territory Resources Ltd on 14 March 2011 for an initial period of six years. A decision was made by Territory Resources to surrender the tenement in January 2013, prior to the second year anniversary of the tenement.

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 Territory Resources 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).

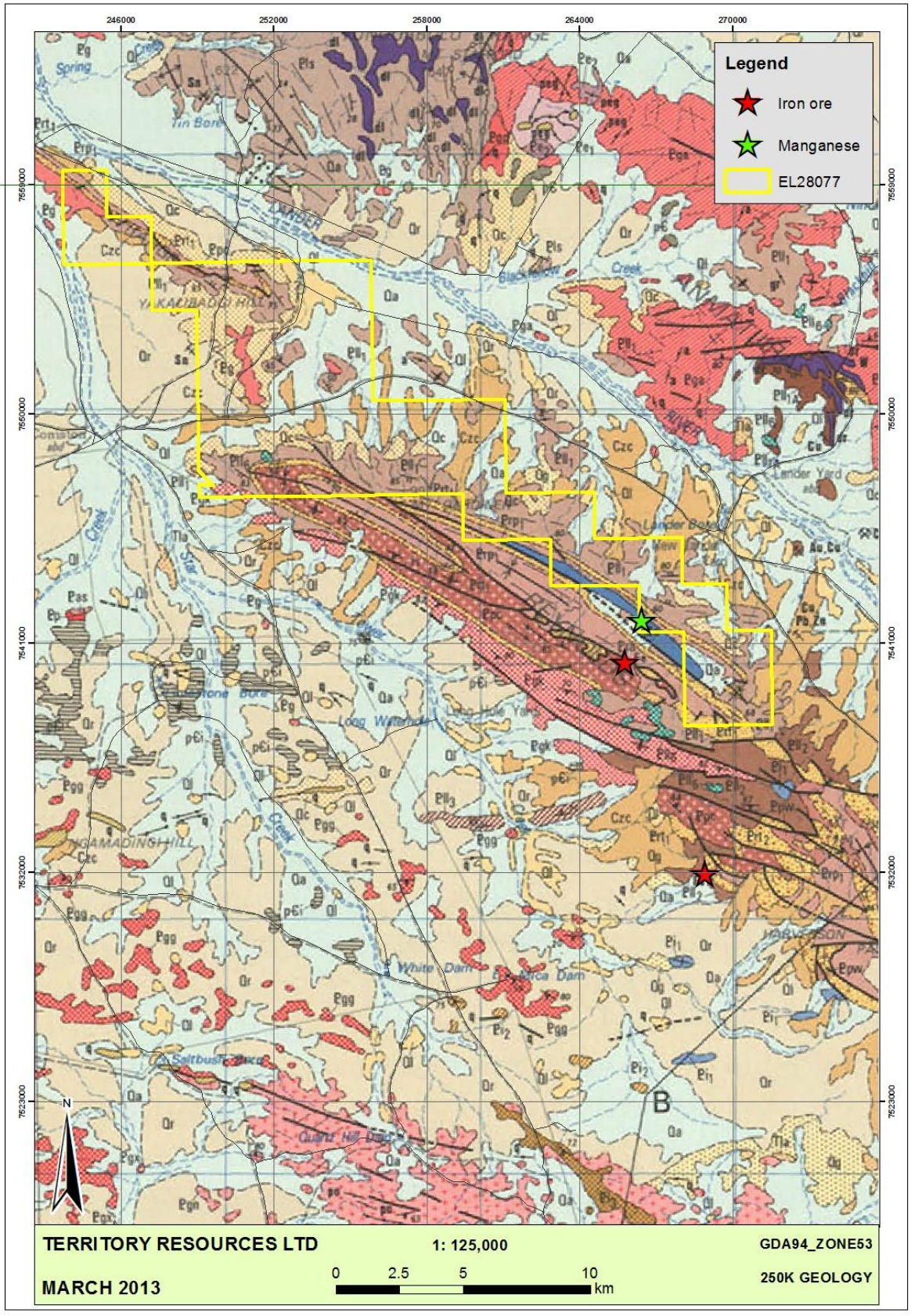

Figure 2: Napperby 250k Geology with known hematite and manganese occurrences

5. EXPLORATION ACTIVITIES

5.1 REPORTING YEAR – 14th MARCH 2012 TO 23rd JANUARY 2013

There was no field based work undertaken by Territory Resources over EL28077 in the reporting year.

Territory Resources was interested in the tenement as hematite lodes are known to occur in the quartzites of the Reynolds Ranges in Central N.T. The previous year's helicopter assisted rock-chip sampling and mapping program was designed to evaluate the potential for both iron and manganese mineralisation. While mineralized occurrences were present, they were not considered of sufficient size and grade to be considered economic.

Another review of previous year's work was conducted; from this, the decision was made to surrender the tenement. Territory submitted a surrender letter on 16th January 2013. The Department of Mines & Energy accepted the surrender of EL28077 on 23rd January 2013.

5.2 SUMMARY 14th MARCH 2011 TO 23rd JANUARY 2013

Exploration and geological programs were limited within EL28077 during the nearly 2 years of the grant period of the tenement. In summary, the following works have been completed:

14th March 2011 – 13 March 2012:

- obtaining satellite imagery form GeoImage, which included ortho-rectification and digital surface modeling for 2 metre contours.
- Desktop studies and historical reviews (in conjunction with adjacent tenement EL26071, which Territory Resources is in the process of getting transferred for 100% ownership).
- Helicopter assisted reconnaissance geological mapping and rock-chip sampling survey within EL28077 (and adjacent EL26071) in February 2012. This comprised a team of 4 geologists who collected a total of 24 rock-chip samples from the tenement.

14th March 2012 – 23rd January 2013:

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

6. EXPENDITURE

Expenditure for the reporting period 14th January 2012 to 23rd January 2013 was **$2,500.**

7. REFERENCES

Burgess, A. 2012. Annual Exploration Report for EL28077 for the period 14th March 2011 to 13th March 2012. *Territory Resources Ltd Company Report.*