

YEAR 2 REDUCTION REPORT

EL 28388
'HAYWARD CREEK
TIPPERARY PROJECT
FOR PERIOD ENDING 6TH July 2013

PINE CREEK SD5208
FERGUSSON RIVER SD5212

Titleholder: Territory Minerals

Commodities: Rare Earth Elements, U, Cu, Pb, Zn, Au

Prepared for Territory Minerals

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1. SUMMARY

EL28388 is 130km south of Darwin, and approximately 180km south of Darwin by road. Access from Darwin is via the Stuart Highway onto Dorat Road (from Adelaide River) then west onto the Daly River Road. EL28388 was granted for a period of six (6) years in 2011 to expire on 6th July 2017. The tenement was reduced from 43 to 22 at the end of year 2 in compliance with year 2 compulsory reduction requirements. This report details exploration completed on the relinquished blocks for the duration that they were held.

EL28388 is situated near the western margin of the Pine Creek Orogen. Middle Proterozoic sediments of the Tolmer Group are mapped as overlying the tenement. Further east, limestones and quartzarenites of the Cambro-Ordovician Daly River Group (comprising Tindall Limestone and Jinduckin Formation) form the Daly Basin.

Records of exploration date back to 1967 and AP licence #1682. Exploration phases have included searches for limestone, phosphate, base metals, gold, diamonds and uranium. Most of these programs have had limited success. Companies include IMC Development Corporation, Tipperary Land Corporation, Suttons Motors, Peko Wallsend, BHP, Carpentaria Exploration, Total Mining Australia, PNC Exploration, Newmont and Normandy.

Previous holders TUC Resources undertook exploration for unconformity related uranium mineralisation in the area. They targeted uranium associated with the mid Proterozoic unconformity between the Tolmer sediments and the Finniss River Group (Burrell Creek Formation). TUC only completed a radiometric survey and minor rock chip sampling over the portion that is now EL28388.

Exploration targets include: stratabound Mississippi style base metal deposits, Unconformity related uranium mineralisation, carbonaceous shale units prospective for uranium, base-metal and REE mineralisation, REE mineralisation in similar settings to the nearby TUC Resources Stromberg and Scarramanga Prospects.

No exploration was completed on this tenement as exploration was postponed whilst the company re-organised its exploration strategy and land holdings with a view to be listed on the ASX during 2013. This re-organising is progressing successfully, although taking longer than expected, and includes the acquisition of a large gold project in far north Queensland from Republic Gold.

2. LOCATION AND ACCESS

EL28388 is 130km south of Darwin, and approximately 180km south of Darwin by road. Access from Darwin is via the Stuart Highway onto Dorat Road (from Adelaide River) then west onto the Daly River Road. Tipperary Station is ~20km to the south west of the tenement. Tracks extend west and south of Tipperary Station, with the southern track accessing the Daly River at Beebom Crossing. Access is only possible in the dry season because the crossings at smaller tracks to the west are impassable after rains. Most of the ground is open and with low relief and numerous sinkholes.

3. TENEMENT STATUS AND OWNERSHIP

EL28388 was granted for a period of six (6) years in 2011 to expire on 6th July 2017. The tenement was reduced from 43 to 22 at the end of year 2 in compliance with year 2 compulsory reduction requirements. This report details exploration completed on the relinquished blocks for the duration that they were held. There are no other mining leases or mineral claims shown within the Licence boundaries.

Underlying cadastre (Figure 1) is perpetual pastoral lease summarised in the table below.

NT Portion/Section Number	Names of Owners/Occupiers	Address
000 02682	Tovehead Pty. Limited & Branir Pty Ltd	PMB 39, Winnellie NT 0822

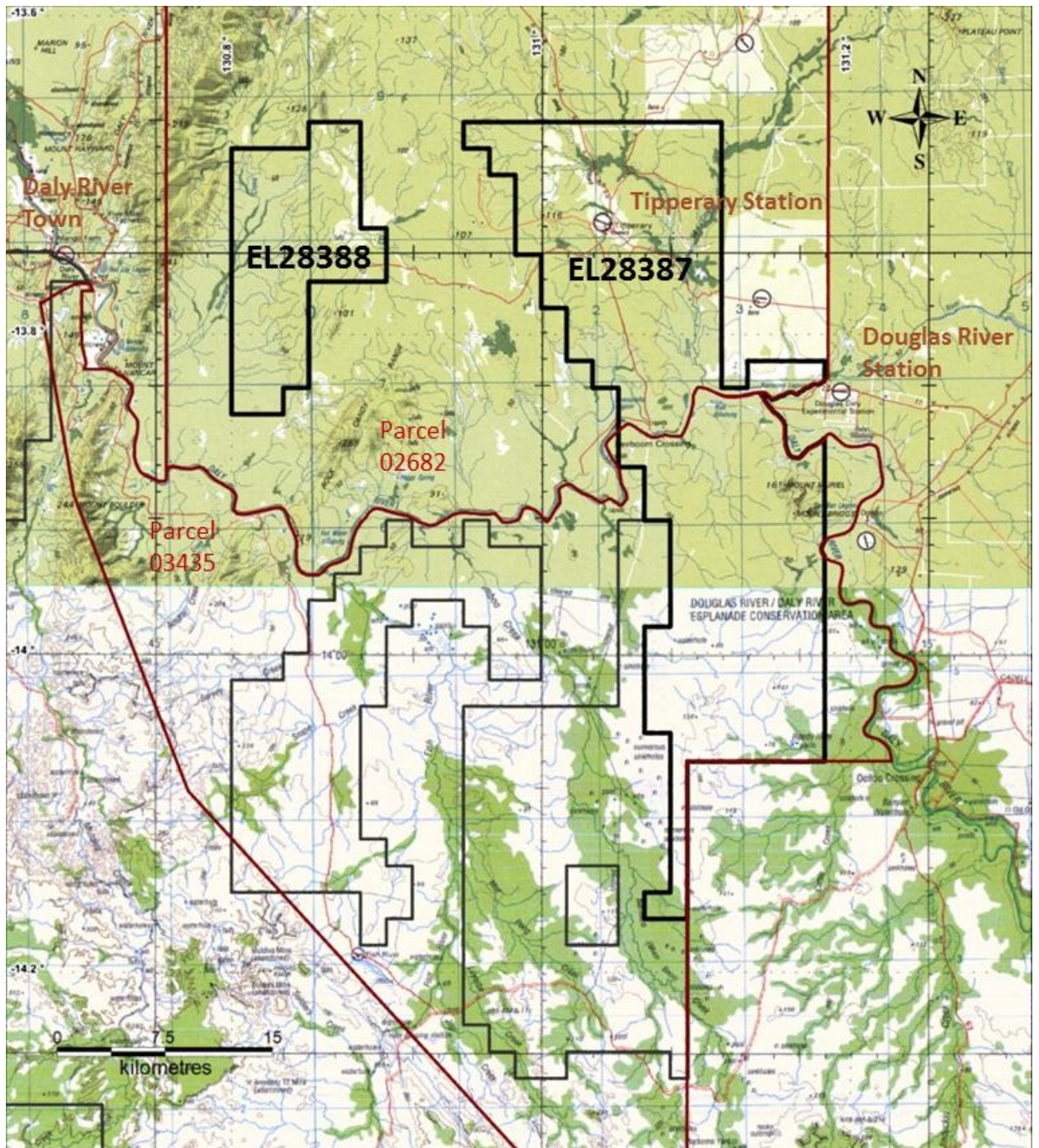


Figure 1 Tenement Location Map

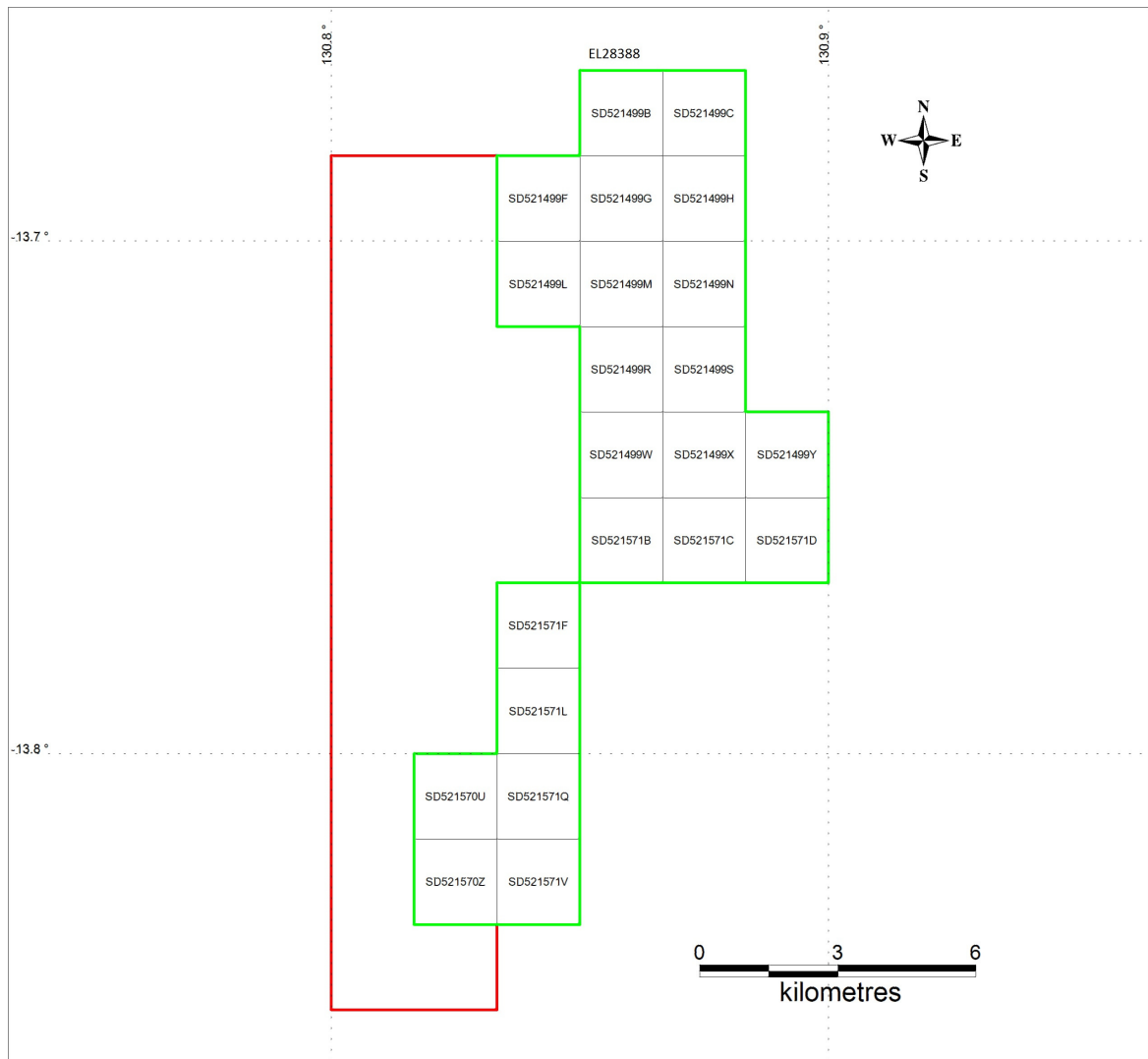


Figure 2 Tenement Reduction Map (red polygon – blocks dropped)

4. GEOLOGY

EL28388 is situated near the western margin of the Pine Creek Orogen on the SD5208 Pine Creek sheet. Descriptions of the regional geology can be found in several texts, including Ahmad et al., 1993; Ahmad, 1998; Dundas et. al., 1987; and Pietsch 1989. Figure 2 has the simplified geology from the Pine Creek 250,000 Metallogenic Map Series to show the main stratigraphic components within EL 28388.

Middle Proterozoic sediments of the Tolmer Group are mapped as overlying the tenement. The Tolmer Group is a sequence of arenite, siltstone and dolomite up to 1,600m thick unconformably overlying Early Proterozoic Finniss River Group sediments. The Hinde Dolomite is the most commonly mapped stratigraphic unit of the Tolmer Group within EL28388. Fault splays from the Giants Reef Fault to the south offset and thrust blocks of Depot Creek Sandstone adjacent to Stray Creek Sandstone in the Rock Candy Range to the south of the tenement.

Further east, limestones and quartzarenites of the Cambro-Ordovician Daly River Group (comprising Tindall Limestone and Jinduckin Formation) form the Daly Basin. The basin consists of Cambrian limestone sediments which obscure the mineral prospective lower Proterozoic sediments.

Potential could exist for Barite and low grade base metals within the basin sediments but historical exploration in the area has failed to discover any economic grade mineralisation. There is also little evidence of radiometric or magnetic anomalies within the tenement. Exploration for early Proterozoic basement rocks (prospective for uranium and base metal mineralisation) beneath the Tolmer sediments is a possible target.

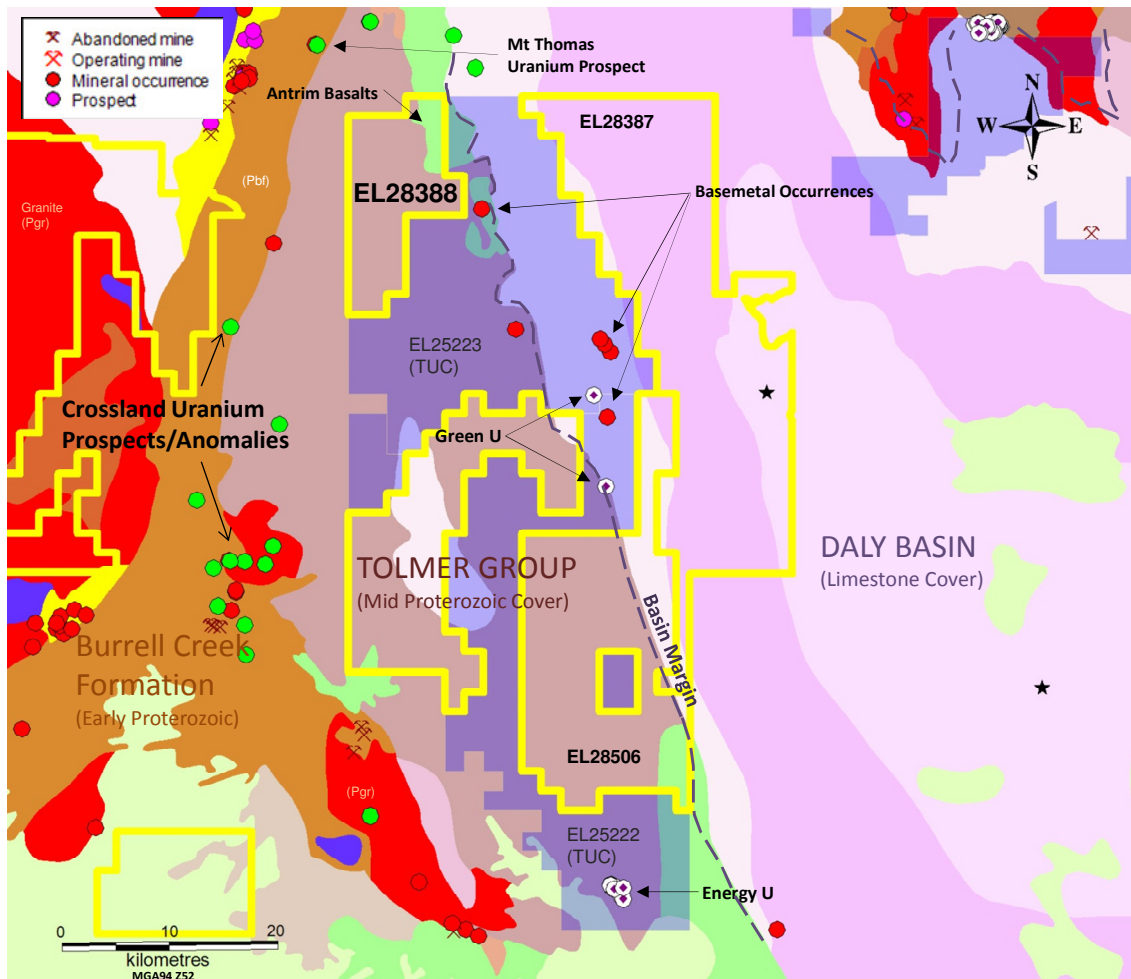


Figure 3 Tenement Geology (1:250K)

5. PREVIOUS EXPLORATION

Records of exploration date back to 1967 and AP licence #1682. Exploration phases have included searches for limestone, phosphate, base metals, gold, diamonds and uranium. Most of these programs have had limited success. Companies include IMC Development Corporation, Tipperary Land Corporation, Suttons Motors, Peko Wallsend, BHP, Carpentaria Exploration, Total Mining Australia, PNC Exploration, Newmont and Normandy.

Previous holders TUC Resources undertook exploration for unconformity related uranium mineralisation in the area. They targeted uranium associated with the mid Proterozoic unconformity between the Tolmer sediments and the Finniss River Group (Burrell Creek Formation). TUC completed a radiometric survey and minor rock chip sampling over the portion that is now EL28388.

6. EXPLORATION DURING YEAR 1 and 2

Exploration was postponed whilst the company re-organised its exploration strategy and land holdings.

During 2011 Territory Minerals commenced a reorganizing of its exploration strategies and land holdings with a view to be listed on the ASX in 2012. During this process exploration was postponed on this license.

By October 2011 Territory Minerals had successfully entered into a sale agreement to purchase Republic Gold's Far North Queensland (FNQ) tenements including the Northcote and Tregoora gold deposits which are at bankable feasibility stage. All tenements were transferred into Territory Minerals name.

However due to the deflated financial climate over the past year the listing of Territory Minerals did not progress as quickly as hoped, with plans now to list in during 2013. Listing on the ASX remains a priority for the company with recent developments by Territory Minerals towards this goal including the purchase of the remaining minority equity in the Northcote Project held by Fe Limited.

7. CONCLUSION/RECOMMENDATION

No further exploration is recommended on the relinquished blocks which show little geophysical anomalism.

8. REFERENCES

- Ahmad, M., 1998. Geology and mineral deposits of the Pine Creek Inlier and McArthur Basin, Northern Territory. *AGSO Journal of Australian Geology and Geophysics*, 17(3), pp1-17.
- Ahmad, M., Wygralak, A.S., Ferenczi, P.A., and Bajwah, Z.U. 1993. Explanatory Notes and Mineral Deposit Data Sheets. *1:250,000 Metallogenic Map Series, Department of Mines and Energy, Northern Territory Geological Survey*
- Dundas, D.L., Edgoose, C.J., Fahey, G.M., and Fahey, J.E., 1987. Daly River 5070 Explanatory Notes *1:100,000 Geological Map Series; Northern Territory Geological Survey*.
- Khan, M., Ferenczi, PA., Ahmad, M., and Kruse, P.D., 2007. Phosphate testing of waterbores and diamond drillcore in the Georgina, Wiso and Daly basins, Northern Territory. *Northern Territory Department of Primary Industry, Fisheries and Mines Geological Survey Record 2007-003*.
- Pietsch, B.A., 1989. Reynolds River 5071 Explanatory Notes *1:100,000 Geological Map Series; Northern Territory Geological Survey*.