TERRITORY IRON LIMITED
A.C.N. 100 552 118

WARREGO TAILING LEASES
MLCs 81, 82, 103-106 682

ANNUAL REPORT

FOR THE PERIOD

1st January 2006 – 31st December 2006

Tennant Creek SE 53-14 1:250,000 Sheet
Short Range 5659 1:100, 000 Sheet
NORTHERN TERRITORY

RM Vivian
November 2006
SUMMARY

No field activities were undertaken by Territory Iron during the year to 31 December 2006.

Expenditure during the year was $1,052 and related to tenement administration.

During the coming year it is proposed to undertake collection of bulk samples (aircore or auger drilling) and metallurgical testwork on these samples to confirm the quality of magnetite product achieved from previous studies, feasibility and marketing studies.
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Appendix 1: Expenditure Statement
1. **INTRODUCTION**

Mineral Leases 81, 82, 103-106 and 682 form the Warrego Magnetite Tailings project that is located some 45km westnorthwest of the town of Tennant Creek, Northern Territory. Tennant Creek is about 1020km along the Stuart Highway from Darwin. The Australasia Railway passes some 10km to the east of the project area.

Territory Iron’s interest lies in tailings on the leases that were discarded from gold and copper processing carried out in the 1970s. The tailings are contained in five main dams that are known as Tailings Dam 2 North, Tailings Dam 2 South, Tailings Dam 3 West, Tailings Dam 3 Central and Tailings Dam 3 East, Figure 1.

Work carried out by Territory Iron in 2004 was metallurgical testwork on excavated bulk samples. Results indicated a magnetite concentrate of about 4 million tonnes grading 62.3% and 0.02% P could be produced from the resource of about 10 million tonnes contained within the Warrego tailings dams.

In 2005, Giant’s Reef Mining became, under Agreement, the operator of the leases, but did not under any activities on the leases prior to going under administration in the second half on 2005.

2. **TENURE**

2.1 **Mineral Rights**

Territory Iron purchased the 7 mineral leases forming the Warrego tailings Project from holder Santexco Pty Ltd on 16 December 2002. The combined area covered by the leases is 1.45 km$^2$. Tenement details are provided in Table 1.

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Grant Date</th>
<th>Anniv. Date</th>
<th>Expiry Date</th>
<th>Area (hec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLC81</td>
<td>06-Mar-69</td>
<td>31-Dec-06</td>
<td>31-Dec-09</td>
<td>17</td>
</tr>
<tr>
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<td>06-Mar-69</td>
<td>31-Dec-06</td>
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<td>17</td>
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<td>31-Dec-06</td>
<td>31-Dec-12</td>
<td>12</td>
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<tr>
<td>MLC104</td>
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<td>MLC105</td>
<td>10-Aug-71</td>
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<td>10-Aug-71</td>
<td>31-Dec-06</td>
<td>31-Dec-12</td>
<td>17</td>
</tr>
</tbody>
</table>

2.2 **Aboriginal Sacred Site Clearance & Native Title**

No search of the AAPA register was undertaken due to the disturbed nature of the area. There are no registered Native Title claims over the Lease.
3. **ACTIVITIES & RESULTS**

No field activities were undertaken by Territory Iron during the year to 31 December 2006. This resulted from a focus by the Company on activities associated with the start-up of iron ore mine operations at Frances Creek which is scheduled to go into production in the second quarter of 2007.

Miscellaneous enquiries were made about the commercial and marketing aspects of a magnetite product derived from the tailing. These enquiries are ongoing.

4. **PROPOSED ACTIVITIES – 2007**

Proposed activities during the coming year include possible collection of bulk samples (aircore or auger drilling) and metallurgical testwork on these samples to confirm the quality of magnetite product achieved from previous studies, feasibility and marketing studies.

5. **EXPENDITURE**

Expenditure during the year was $1,052 and related to tenement administration. An expenditure statement is attached as Appendix 1.
Figure 1  Warrego Leases Location Plan
APPENDIX 1  EXPENDITURE STATEMENT