TERRITORY IRON LIMITED

A.C.N. 100 552 118

EL23824 MILLERS

NORTHERN TERRITORY

ANNUAL REPORT

For The Period

9th February 2007 – 8th February 2008

By
Sarah Eaton
Digirock Pty Ltd

Pine Creek SD52-08 1:250,000 Sheet
Pine Creek 5270 1:100, 000 Sheet
McKinley River 5271 1:100,00 Sheet

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SUMMARY

This report is submitted by Territory Iron on behalf of Softwood Plantations Pty Ltd, holder of EL 23824, to meet statutory reporting commitments on the tenement for the year ended 8th February 2008.

The main focus of exploration activities during this reporting period was the Millers Prospect where an inferred resource had previously been defined.

Exploration activities within the tenement comprised Reverse Circulation and Diamond Drilling, hyperspectral imagery, reconnaissance and review of geophysical data. Overall, 7,013m of RC drilling and 80m of diamond drilling were completed.

1. INTRODUCTION

This report is submitted by Territory Iron Ltd on behalf of Softwood Plantations Pty Ltd, holder of EL 23824, to meet statutory reporting commitments on the tenement for the year ended 8th February 2008.

Current exploration of EL23824 is focussed on both iron and gold mineralisation. Gold exploration is being conducted by Australasia Gold Ltd, while iron exploration is being carried out by Territory Iron Ltd.

EL 23824 is located about 19km NNW of the old Frances Creek iron ore mining district from which about six million tonnes was produced during the period 1967 to 1974. The mining district lies 23km north of the township of Pine Creek which is located on the Stuart Highway about 220km south of Darwin, Figure 1. Access from Pine Creek is along the sealed Kakadu Highway for 2km and then along the graded Frances Creek Mine road for 23km to the Frances Creek iron ore mine site area.

The 19km road from Frances Creek Mine to Millers is not maintained by either leaseholders or the NT authorities and use of 4WD vehicles is advisable. Vehicular access off this road is usually not possible during the December to March tropical monsoonal wet season.

2. TENURE

2.1 Mineral Rights

EL23824 was granted to Softwood Plantations on 9 February 2004. The current term of the tenement expires on 8 February 2010.

The tenement covers 103.3 km^2 or approximately 31 graticular blocks and is approximately bounded by MGA94 Zone 52 co-ordinates 8504000mN and 8523000mN and 796000mE and 808600mE.

2.2 Land Tenure

The tenement includes parts of the following land tenure:

- Ban Ban Springs Pastoral Lease, owned by Ban Ban Springs Station Pty Ltd (Linda Claris, fax 8978630), c/- level 5,478 Albert St, East Melbourne.

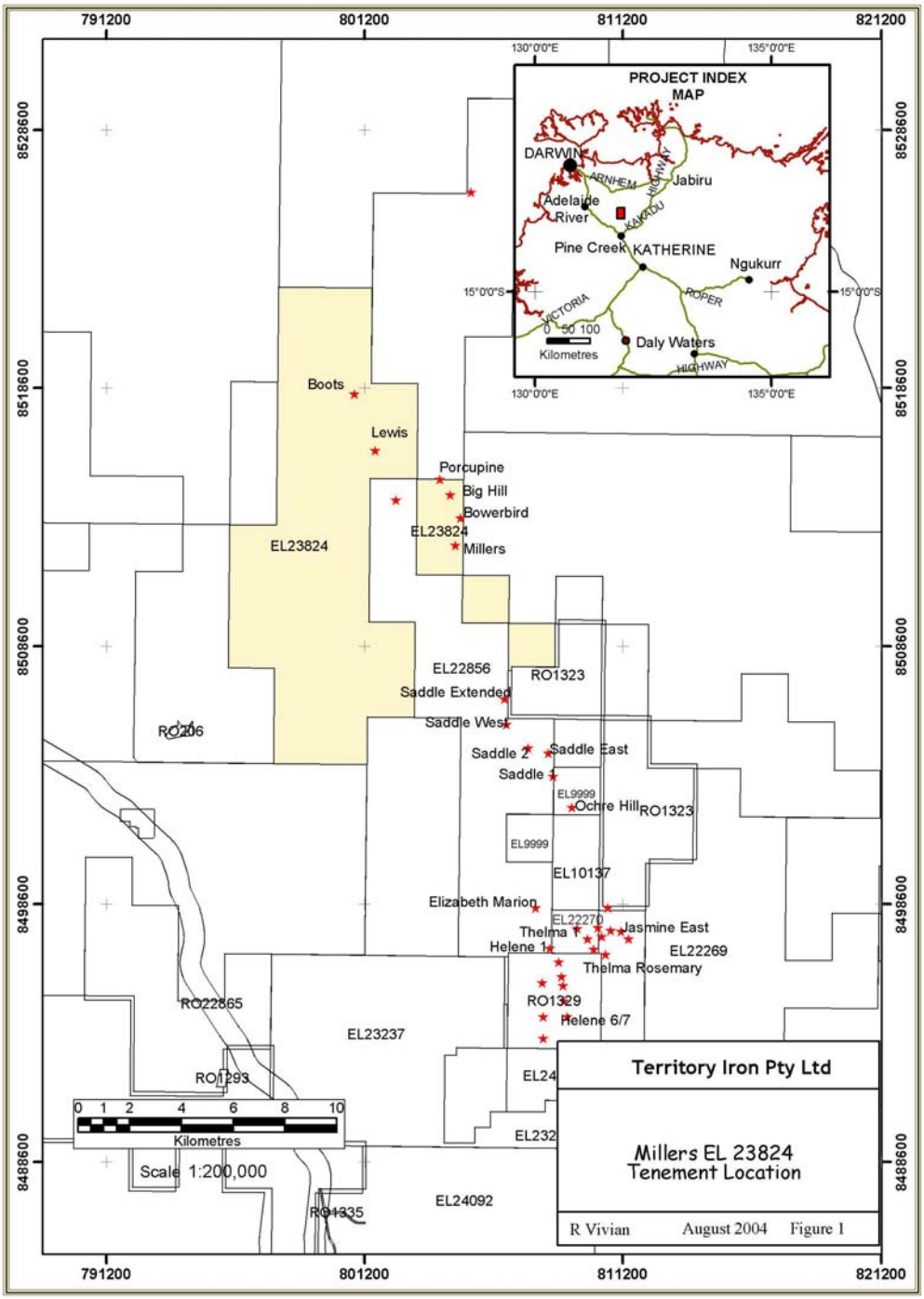

Figure 1 EL23824 Tenement Location & Iron Occurrences

2.3 Agreements

On 22 April 2004 Softwood Plantations Pty Ltd entered into a joint venture agreement with Australasia Gold Ltd. The JV covers EL 23824 and adjacent EL 22301 and provides a

structure whereby Australasia may explore for gold and earn a 100% interest in gold deposits discovered and excised into successor tenements.

On 30 September 2004 Territory Iron Pty Ltd entered into an Agreement with Softwood Plantations Pty Ltd by which Softwood granted Territory Iron the right to explore for iron ore and earn an interest in EL23824 under an unincorporated joint venture with Softwood.

2.4 Aboriginal Sacred Site Clearance & Native Title

A search of the Aboriginal Areas Protection Authority's sacred site digital register carried out prior to the commencement of drilling indicated no Registered or Recorded sites within that portion of the tenement area containing Millers prospect.

A registered native title claim DC01/21 Ban Ban Springs, lodged on 13 March 2001, covers the tenement area.

3. LOCAL GEOLOGY

Palaeoproterozoic sediments of the Mt Partridge and the overlying South Alligator Groups occur within the tenement area. The Wildman Siltstone of the Mt Partridge Group predominates in the eastern part and rock units of the Koolpin Formation, Gerowie Tuff and Mt Bonnie Formation in the western part of the tenement, Figure 1.

The Wildman Siltstone comprises two informal sequences. The lower sequence consists of carbonaceous phyllite, hematite breccias, siltstone and phyllite, which at depth is reported to be pyritic and carbonaceous. The upper sequence consists of similar rock units, but also contains minor sandstone and rare dolarenite.

The Koolpin Formation consists of carbonaceous pelites, carbonates and iron formation. It is subdivided into three informal members. The Lower Member comprises carbonaceous mudstone, mudstone, siltstone and limestone. The Middle Member is characterised by the first appearance of banded iron formation. The Upper Member comprises thinly laminated carbonaceous shale and mudstone with abundant fine pyrite and pyrrhotite and shows up prominently on aeromagnetic imagery.

The Gerowie Tuff is composed of siltstone, phyllite, tuff and minor chert nodules. The Mount Bonnie Formation comprises two thick greywacke-mudstone units that are separated by 30-60m metres of laminated siltstone, shale, chert and tuff (Goulevitch, 1980).

Numerous conformable sills of pre-orogenic Zamu Dolerite have preferentially intruded the pelitic units of the Gerowie Tuff, Koolpin Formation and the underlying Wildman Siltstone.

These sediments, volcanics and dolerite sills have been moderately to tightly folded about NNW trending axes into a series of synforms-antiforms with vertical dips or steep dips to either side of vertical. On a regional scale, these structures form an anticlinorium with a dominant westerly dip within the tenement area.

Regional lower greenschist grade metamorphism accompanied the folding event during a major deformation period between 1870-1810 Ma.

4. MINERALISATION

Iron mineralisation of two distinct genetic types occurs within EL 23824. Boots, Egg Cup, Mc Farrars and Lewis Prospects occur in Koolpin Formation rocks. In the Koolpin Formation, iron formation of the Middle Member forms near-surface gossanous, haematite-limonite bodies which are reported by Ahmad et al (1993) to give way at depth to ferro-actinolite, Fe-rich chlorite, garnet, siderite, quartz, carbonates and sulphides.

All other iron mineralisation occurs mainly in the lower Wildman Siltstone as haematite or haematite-goethite-manganese mineralisation. Haematite deposits are believed to have formed by low temperature hydrothermal replacement of brecciated Wildman Siltstone. Breccia zones, and hence usually haematite mineralisation are frequently stratiform, with their distribution controlled by D3 folds and associated axial planar faults. Haematite-goethite-manganese deposits possibly have a similar hydrothermal origin but may have undergone extensive weathering related hydration, or may have had a sulphide rich parent rock.

Iron occurrences within EL23824 are shown in Figure 1.

Gold mineralisation is known on a regional scale to occur in: the Wildman Siltstone, the middle and upper Koolpin Formation, the Gerowie Tuff and Mount Bonnie Formation, and in sills of the Zamu Dolerite which intrude the Koolpin Formation and Gerowie Tuff. Gold mineralisation within the Pine Creek Inlier is probably associated with intrusion of the syn-orogenic granites (eg Cullen Batholith). It is certainly feasible that the bulk of the anticline-associated vein-type deposits most likely relates to structural re-activation of regional fold structures during intrusive events.

Possible gold mineralisation styles and targets related to these rocks are according to Goulevitch (1997b): sheeted and stockwork quartz-sulphide veins systems with mineralisation preferentially associated with a strong carbonaceous and/or sulphide in the host sequence (eg Woolwonga, Moline) or with competency contrasts between greywacke and shale (eg Union Reef, Spring Hill); sediment-hosted stratiform mineralisation and quartz-sulphide vein-hosted stratabound mineralisation associated with chert iron formation and carbonaceous mudstone mainly in the Koolpin Formation (eg Mount Porter); stratiform, massive to banded, sulphide-silicate-carbonate mineralisation in the Mount Bonnie Formation (eg Mt Bonnie, Moline).

5. WORK COMPLETED

Exploration in EL23824 commenced in June 2007 with the re-establishment of the access road through the tenement, providing reliable access to this remote area. A geological reconnaissance programme was commenced and infill drilling was undertaken at the Millers Prospect. Drill sites were prepared at outcrops surrounding the McFarrars, Bowerbird and Big Hill prospects for scout drilling programmes.

Mining Lease 26429, comprising 2 graticular blocks was applied for over the Millers deposit during September 2007 under the terms of the Softwood Plantation JV agreement.

5.1 Exploration for Iron

Iron exploration activities were conducted by Territory Resources Ltd. The Millers Prospect was the main focus for exploration activities during the 2007 field season. Field work also took place on five other areas.

5.1.1 Reconnaissance

The reconnaissance programme involved the inspection of ironstone outcrops and known geophysical targets for the purpose of drill target generation. The reconnaissance inspection identified 23 drill targets located at the following prospect areas.

- Millers South – 7 RC hole sites
- Millers East – 3 RC sites
- Bowerbird – 8 RC hole sites
- Bowerbird North – 5 RC hole sites

5.1.2 Infill Drilling – Millers Prospect

The Millers Prospect hosts a previously defined inferred resource of 1.03 million tonnes at 52.5% Fe. Exploration activities during 2007 focussed on upgrading this resource to the indicated category through infill reverse circulation (RC) drilling.

Overall, a total of 52 RC holes were completed for an advance of 5,187m between July and October 2007. The drilling programme was undertaken by Swick Mining Services Ltd using a truck-mounted modified Ingersoll Rand TH60 drill rig.

On completion of drilling, the majority of the prospect area was covered with a drill hole spacing of 20m on traverses 40m apart. All holes had a dip of -60º with an azimuth generally of either 075º or 080º. Drill hole locations are shown on Figure 3.

All RC holes were sampled at one metre intervals through the ore zone. The sample intervals judged to be strongly iron mineralised were passed through a riffle splitter to give a 2-3kg split. This was assigned a unique sample number and submitted to Intertek-NTEL for assay. At regular intervals duplicate samples were split to provide quality control checks on the sampling procedure. Samples were analysed by XRF for Fe, Al2O3, SiO2, P, CaO, S, P, TiO2, Mn, MgO, K2O and LOI.

Two shallow diamond drill holes were also completed during this reporting period for the purpose of collecting samples for metallurgical test work. These holes (MLDD001-002) were both vertical and drilled to a depth of 40m using HQ3. This programme was undertaken by Underwood Drillers Pty Ltd of South Australia, using a Hydrill 1000 rig. Results of this test work were not available at the time of report compilation.

Drill logs and assays are presented in Appendix 4 in digital format.

5.1.3 Resource Estimate

Snowden Mining Consultants were commissioned to undertake geological modelling and resource estimation on the Millers Prospect in December 2007. The outcome of this study was not available during the current reporting period.

5.1.4 Scout Drilling – Other Prospects

Scout RC drilling was undertaken on a number of prospects with drilling taking place at McFarras, Big Hill, Bowerbird, Bowerbird North and Millers South. Location of these prospects and drill holes are provided on Figure 2. The drilling took place during the same

period as the Millers infill drilling detailed above. Drilling, assay and sampling were as for Millers.

Drill logs and assays are presented in Appendix 4 in digital format.

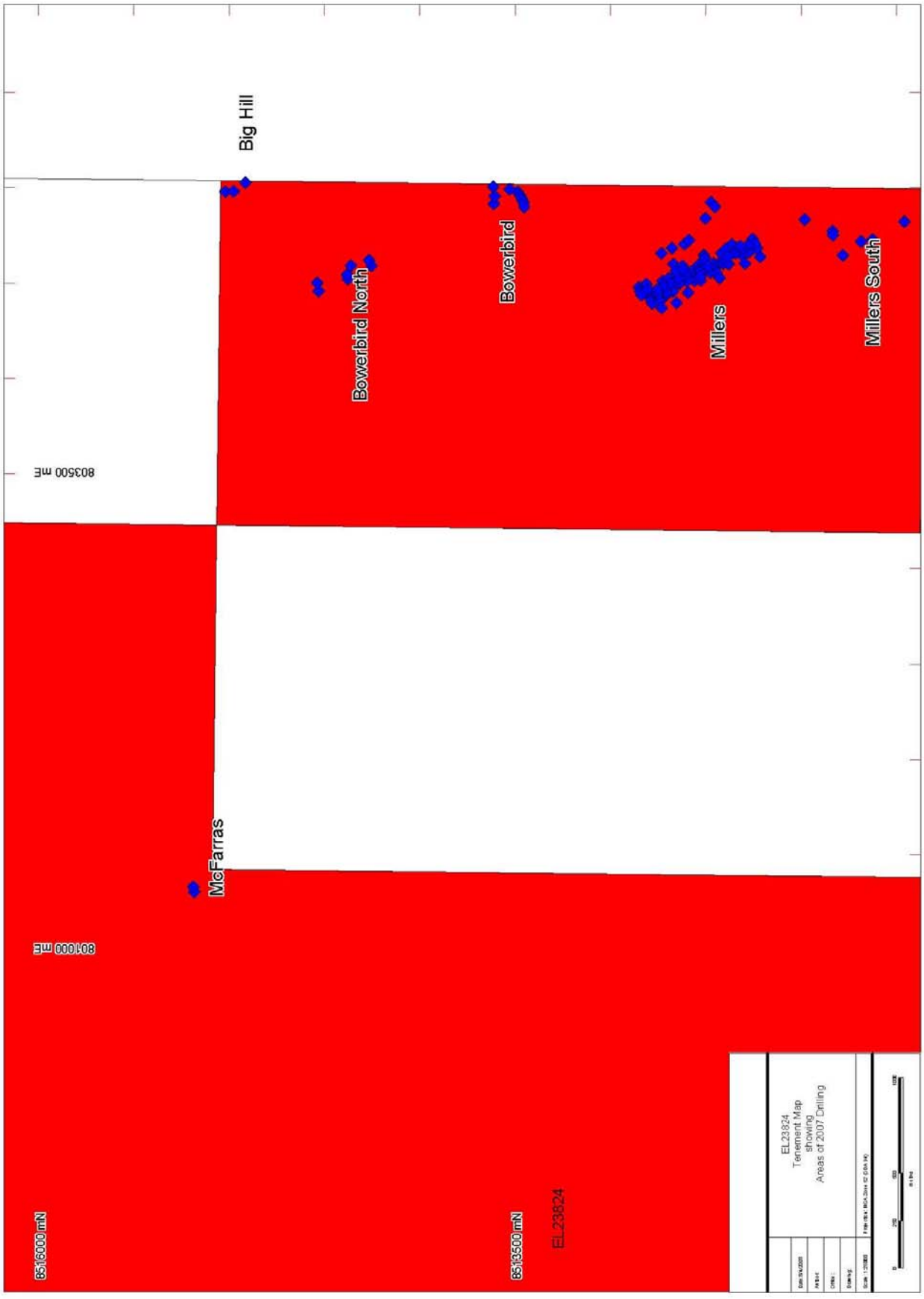

Figure 2: Detail of Tenement Plan Showing Areas of Drilling

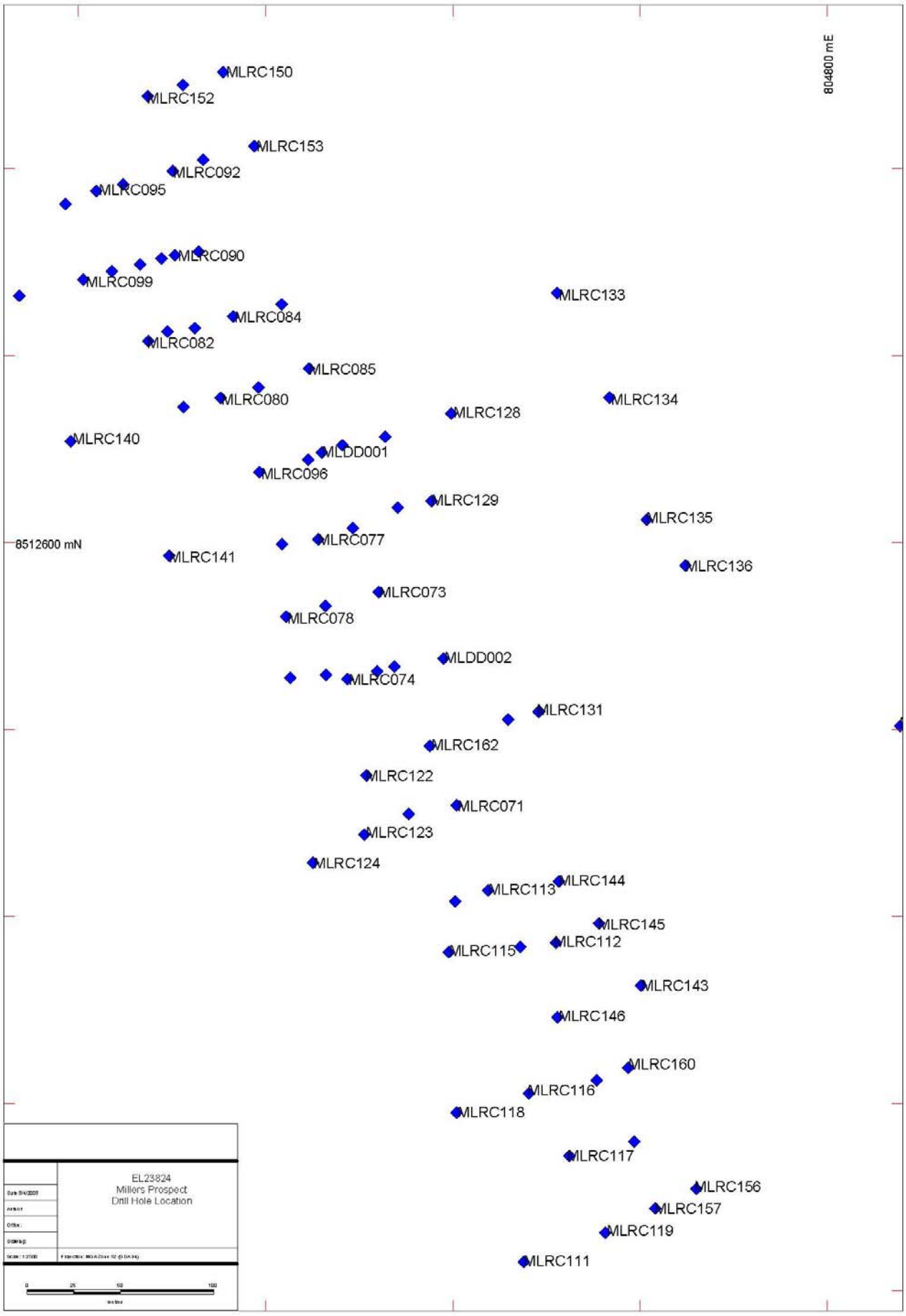

Figure 3: Millers Prospect Drill Hole Location Plan

5.1.5 Remote Sensing – Hyperspectral Imagery

HyVista Corporation was contracted by Territory Iron to acquire and process HyMap airborne hyperspectral scanner imagery from a site in Northern Territory. The area to be scanned covered a number of tenements including EL23824. Data acquisition occurred on 15th of October 2007.

Three "classes" of imagery were produced:

1. Standard colour composites and MNF images to be used for photo-interpretation to delineate geological units and structural features.

2. Decorrelation stretch colour composite derived from selected SWIR bands which produces an image that maps the overall distribution of Al-OH, Fe-OH, Mg-OH (and carbonate if present) bearing minerals within the area but not specific mineral species.

3. Specific species mineralogical information. Processing of the SWIR bands maps the distribution of clay minerals, mica's and carbonates and the VNIR bands the iron oxides.

Plates of the above imagery as well as full report on survey logistics is provided in Appendix 3.

5.2 Exploration for Gold

Gold exploration activities were conducted by Australasia Gold Ltd. The majority of activities during the year comprise data acquisitions and review.

5.2.1 Geophysics

A series of regional geophysical data sets were acquired and reprocessed. These data were then interpreted in order to define potential drill targets. An area of interest based on breaks in linear magnetic features was delineated in the McKinlay River valley; an area cvered by back soil plains. Geophysical data relating to gold exploration were not available at the time of report preparation.

5.2.2 Drilling

A grid-based aircore drilling programme was designed to follow up the target described above was initiated towards the end of the 2007 dry season. Unfortunately unseasonably early rains prevented access to the drill sites. No drilling took place. It is hoped this programme will take place in 2008 once ground condition are dry enough for drill rig access.

6. RESULTS

6.1 Drilling

Drilling from the Millers Prospect produced encouraging results, and supports previously reported grades and tonnage for the deposit. Best results are listed below in Table 1.

Table 1: Best Intercepts – Millers: at 50% Fe cut-off value

Hole Id	From	To	Interval	% Fe	% P	% Al2O3	% SiO2	% LOI
MLRC071	44	48	4	56.5	0.09	1.0	3.7	7.2
MLRC072	22	27	5	53.6	0.09	2.5	8.6	6.8
MLRC073	9	15	6	55.9	0.07	0.8	3.8	6.0
MLRC074	32	37	5	54.1	0.09	0.9	3.5	6.2
MLRC074	42	55	13	53.8	0.19	0.6	3.9	9.5
MLRC075	4	11	7	53.2	0.12	1.8	5.0	8.1
MLRC075	19	24	5	53.9	0.12	0.8	4.8	8.5
MLRC075	27	29	2	53.5	0.12	0.6	3.3	8.0
MLRC075	37	44	7	54.3	0.14	0.6	3.4	7.1
MLRC077	33	37	4	54.9	0.11	1.5	7.0	8.9
MLRC084	73	75	2	53.5	0.19	1.1	4.8	11.1
MLRC085	13	16	3	55.1	0.07	1.1	5.5	4.9
MLRC087	23	46	23	54.3	0.11	1.0	5.1	8.1
MLRC088	24	39	15	54.7	0.12	1.5	6.8	8.6
MLRC090	12	14	2	56.3	0.14	2.7	5.6	10.1
MLRC090	60	62	2	54.3	0.13	0.9	6.2	11.4
MLRC091	0	4	4	55.4	0.11	3.2	6.9	9.1
MLRC091	10	14	4	54.9	0.11	3.2	7.2	7.3
MLRC091	19	23	4	56.1	0.17	2.1	5.0	11.0
MLRC092	33	43	10	54.8	0.18	2.1	6.4	10.4
MLRC092	46	49	3	54.0	0.14	1.1	5.5	11.6
MLRC094	21	29	8	54.2	0.12	2.9	6.4	11.0
MLRC094	41	45	4	54.7	0.12	2.2	5.9	11.3
MLRC096	38	52	14	53.3	0.11	2.0	5.7	7.1
MLRC099	33	36	3	53.8	0.1	2.3	6.7	11.2
MLRC099	49	51	2	53.9	0.13	2.5	6.6	11.0
MLRC112	36	42	6	53.65	0.15	2.55	3.38	5.65
MLRC113	18	23	5	53.39	0.08	1.56	7.95	6.48
MLRC113	53	60	7	51.53	0.13	0.98	9.14	9.19
MLRC114	31	36	5	52.29	0.17	2.24	4.19	8.49
MLRC114	42	44	2	51.31	0.15	3.1	4.1	6.56
MLRC118	3	6	3	54.59	0.06	2.02	5.6	6.69
MLRC118	27	31	4	51.57	0.13	2.74	2.91	8.35
MLRC119	36	48	12	51.59	0.15	2.2	7.01	8.87
MLRC121	34	40	6	52.33	0.09	2.36	6.08	6.87
MLRC122	45	50	5	50.18	0.12	2.49	4.56	9.25
MLRC125	9	60	51	52.18	0.14	1.14	8.05	8.23
MLRC126	40	66	26	54.83	0.2	1.02	3.86	10.24
MLRC127	0	3	3	52.73	0.1	6.22	0.89	7.23
MLRC127	6	10	4	57.08	0.15	2.09	0.48	9.1
MLRC127	35	54	19	53.7	0.13	1.57	3.35	10.23
MLRC129	0	5	5	54.69	0.09	1.02	0	7.94
MLRC130	1	9	8	54.36	0.1	1.34	0	8.76
MLRC132	1	7	6	50.79	0.09	1.22	0	8.1
MLRC133	20	28	8	51.82	0.14	2.31	0	9.54
MLRC134	0	16	16	55.88	0.09	1.08	0	7.2
MLRC148	0	14	14	54.3	0.09	2.04	3.21	9.73
MLRC149	0	5	5	58.51	0.17	1.51	0.41	10.8

Hole Id	From	To	Interval	% Fe	% P	% Al2O3	% SiO2	% LOI
MLRC149	7	9	2	54.15	0.17	2.18	2.39	11.02
MLRC151	19	28	9	51.55	0.12	4.15	0.49	8.89
MLRC151	51	56	5	50.86	0.3	1.28	5.49	11.55
MLRC151	61	64	3	53.08	0.2	0.98	4.05	11.31
MLRC152	40	49	9	48.81	0.14	4.25	1.78	8.02
MLRC154	52	54	2	52.03	0.13	0.77	3.37	11.09
MLRC155	0	2	2	54.51	0.12	2.74	0.4	8.98
MLRC158	30	34	4	51.84	0.14	1	0	8.49
MLRC158	52	62	10	52.21	0.18	1.25	0	8.86
MLRC160	23	40	17	54.21	0.25	0.77	0	10.58
MLRC162	43	57	14	54.72	0.1	0.98	0	8.16
MLRC162	58	61	3	52.31	0.17	1.64	0	9.93

Assay results for the other prospects are still outstanding. Logging however indicates predominantly goethite mineralisation.

All available assay results are available digitally in Appendix 4.

7. EXPENDITURE

Total expenditure for the reporting year was $402,985.65 and is detailed in the NT Exploration Expenditure Statement attached to this report as Appendix 2.

8. PROPOSED EXPENDITURE

Total proposed expenditure for EL23824 during the 2008/2009 reporting period is $77,700. This will cover approximately 1,200m of additional RC drilling.

9. REFERENCES

Ahmad, M. et al, 1993. Explanatory Notes and Mineral Deposit Data Sheets. *Pine Creek SD52-8 1:250,000 Metallogenic Map Series*

Goulevitch, J., 1980. Stratigraphy of the Kapalga Formation north of Pine Creek and its relationship to base metal mineralisation. *In Ferguson,J & Goleby, AB, (eds) Uranium in the Pine Creek Geosyncline, 307-318, International Atomic Energy Agency, Vienna.*

Vivian, R.M. 2007. Annual Report EL23824 Millers, NT for the period 9th February 2006 to 8th February 2007.

APPENDIX 1

DRILL HOLE LOGGING CODES

TERRITORY IRON LTD LOGGING CODES

RockCode	(Rk1, Rk2)
BX	breccia
CN	Canga
CA	cavity
CF	Cemented ironstone
CG	conglomerate
CT	chert
CY	clay
DM	dolomite
DO	dolerite
FE	Fe Mineralisation
FIL	Fill
LT	laterite
MN	Mn oxides/carbonates
MS	mudstone
NL	not logged
OCY	clay (overburden)
OGR	gravel (overburden)
OSD	sand (overburden)
PS	pisolites
QV	vein quartz
QZ	quartz / silica
SA	sand
SH	Shale
SS	sandstone
TF	Tuff

Alteration (Alt)	
FER	ferruginous
SIL	siliceous/ silica
CRB	calcareous/carbonate
CHL	chlorite
KAL	kaolinised/clay
LCH	leached

%Chips
0
10
20
30
40
50
60
70
80
90
100

Colour (Col1,Col2)	
RD	red
TA	tan
BE	beige
BK	black
BL	blue
BR	brown
DK	dark
GN	green
GY	grey
KH	khaki
LT	light
OR	orange
PK	pink
PU	purple
WH	white
YBR	yellow brown
YW	yellow
GBR	green brown

Weathering (Weath)		
SW	strongly weathered	
MW	moderately weathered	
WW	weakly weathered	
FR	fresh/ unweathered	

Water	
	default is dry
d	dry
m	moist
w	wet
vw	very wet

Mineral_Intensity (Int1, Int2)		
1	trace	<1%
2	weak	1-25% vol.
3	moderate	25-50%
4	strong	50-80%
5	v. strong	80-100%

Recovery %	
0	
10	
20	
30	
40	
50	
60	
70	
80	
90	
100	

Texture	(Txt1,Txt2)
BND	banded
BED	bedded/bedding
BOT	botryoidy
BRC	brecciated
CAV	cavity
CGN	coarse grained
FGN	fine grained
FRA	fractures/fractured
FRG	fragments
GRT	gritty
LAM	laminated
LIN	lined
MAS	massive
MGN	medium grained
MOT	mottled
MTX	matrix
NOD	nodular
PEB	pebbly
PIS	pisolitic
POW	powdery
SLT	silty
SND	sandy
STD	stained
STR	stringers
VND	vein(s) / veined
VYG	vughs / vuggy
XRY	crystalline

Mineral (Min1, Min2)	
AN	ankerite
CLY	cly
FE	iron
GO	goethite
HM	haematite
KAL	kaolin
LI	limonite
MG	magnetite
MGH	maghemite
MN	manganese
PY	pyrite
SID	siderite
SPC	specular hematite
QTZ	Quartz
MIC	micaceous hematite
SUL	sulphides
GRP	graphite

APPENDIX 2

EXPENDITURE STATEMENT

EL 23824

Exploration Work type	Work Done (mark with an "X" or provide details)		Expenditure	Data and Format Supplied in the Technical Report	
				Digital	Hard copy
Office Studies					
Literature search	**X**		$1,350		
Database compilation			$10,250		
Computer modelling					
Reprocessing of data			$11,549		
General research	**X**		$14,824		
Report preparation			$10,450		
Other (Ten management)	**X**		$187.65		
	Subtotal		**$48,610.65**		
Airborne Exploration Surveys (state line kms)					
Aeromagnetics		kms	$9,935		
Radiometrics		kms			
Electromagnetics- advance payment not yet flown		kms			
Gravity		kms			
Digital terrain modelling		kms			
Other (specify) HyMap		kms	$22,150	**x**	
	Subtotal		**$32,040**		
Remote Sensing					
Aerial photography					
LANDSAT					
SPOT					
MSS					
Other (specify)					
	Subtotal				
Ground Exploration Surveys					
Geological Mapping					
Regional					
Reconnaissance					
Prospect					
Underground					
Costean					
Ground Geophysics					
Radiometrics					
Magnetics					
Gravity					
Digital terrain modelling					
Electromagnetics					
SP/AP/EP					
IP					
AMT/CSAMT					
Resistivity					
Complex resistivity					
Seismic reflection					
Seismic refraction					
Well logging					
Geophysical interpretation					
Petrophysics					
Other (specify)					

Geochemical Surveying and Geochronology								
(state number of samples)								
Drill (cuttings, core, etc.)	**2,757**				$66,750		**x**	
Stream sediment								
Soil								
Rock chip								
Laterite								
Water								
Biogeochemistry								
Isotope								
Whole rock								
Mineral analysis								
Laboratory analysis (type)								
Petrology								
Other (specify)								
Ground Exploration Subtotal					**$66,750**			
Drilling (state number of holes & metres)								
Diamond	**2**	holes	**80**	metres			**x**	
Reverse circulation (RC)	**116**	holes	**7013**	metres	$235,655		**x**	
Rotary air blast (RAB)		holes		metres				
Air-core		holes		metres	$12,339			
Auger		holes		metres				
Other (specify)		holes		metres				
	Subtotal				**$247,994**			
Other Operations								
Costeaning/Trenching								
Bulk sampling								
Mill process testing								
Ore reserve estimation								
Underground development (describe)								
Mineral processing								
Other (specify)								
	Subtotal							
Access and Rehabilitation								
Track maintenance								
Rehabilitation					$7,546			
Monitoring								
Other (specify)								
	Subtotal				**$7,546**			
TOTAL EXPENDITURE					**$402,985.65**			

APPENDIX 3

HYMAP DATA – AVAILABLE DIGITALLY

APPENDIX 4

DRILL HOLE INFORMATION – DIGITAL DATA