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TERRITORY RESOURCES LIMITED

A.C.N. 100 552 118

EL23237 Mt Porter

ANNUAL REPORT

For The Period

8th December 2008 – 7th December 2009

Pine Creek SD52-08 1:250,000 Sheet
Pine Creek 5270 1:100,000 Sheet

NORTHERN TERRITORY

Ian Hassall
January 2010

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1. SUMMARY

This report details exploration activities conducted by Territory Iron Limited for Frances Creek style hematite mineralisation within EL23237 during the year ending 7th December 2009.

Exploration activities during the reporting year comprised:

- Application of the Frances Creek iron ore genesis model to the available data gathered over the life of the tenement. This work once again demonstrated the lack of potential for the tenement to host economic iron mineralisation;
- The lack of potential is governed by the underlying geology on the tenement – the stratigraphy does not host iron mineralisation, and the local structural evolution of the area has not been the same as the Frances Creek area.

The Mt Porter region is devoid of ironstone outcrop, with the majority of the lease dominated by a combination of siltstone, sandstone (pelite/psammite), phyllite, greywacke and tuffaceous chert.

At the latter part of the reporting year, negotiations were underway to return the tenement to Arafura Resources, as per an agreement entered into in January 2008 when the tenement was acquired. Future work will concern gold exploration, a commodity Territory Resources does not have the mineral rights for.

Expenditure during the reporting year was \$ 9,413.66.

2. INTRODUCTION

This report is submitted by Territory Iron to meet statutory reporting commitments on tenement EL23237 for the year ending 7th December 2009. Exploration within the tenement is focussed on iron ore mineralisation.

EL 23237 is located about 2km west of the Frances Creek iron ore mining district from which about six million tonnes was produced between the period 1967 to 1974, and from which 3 million tonnes has been mined since September 2007. The mining district lies 23km north of the township of Pine Creek which is located on the Stuart Highway about 220km south of Darwin. Access to EL23237 is via a secondary 4WD track which intersects the graded Frances Creek mine road from the west, approximately 2km south of the current mining offices.

Access through the tenement is poor, with the majority of tracks having experienced significant regrowth and wash-outs since their development by Homestake Gold Pty Ltd and Arafura Resources Ltd. The tracks are deemed impassable during the monsoon season with dry season access constrained to high-clearance 4WD vehicles.

3. TENURE

3.1 Mineral Rights

EL23237 was granted to McCleary Exploration and Mining Pty Ltd (MEMPL) on 10th December 2003.

In 2001 MEMPL became a wholly owned subsidiary of Arafura Resources NL. The current term of the tenement expired on 7th December 2009, and was subsequently renewed with a new 2 year term granted on 8th December 2009. The tenement covers 5 blocks for an area of 16.69 km² and is held by Territory Resources Limited. Arafura Resources Limited currently holds gold rights to EL23237. Territory Iron Limited (now Territory Resources Limited) acquired the iron ore rights for the tenement from Arafura in January 2008.

3.2 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 in 2004 indicated no Registered or Recorded sites within the tenement area.

Registered native title claim DC01/21(Paddy Huddleston & Ors) – PPL 815 covers the tenement area.

4. LOCAL GEOLOGY

EL23237 is predominantly underlain by Proterozoic metasediments of the South Alligator Group and Finnis River Group. These include minor Koolpin Formation ferruginous and cherty metasediments, tuffaceous metasediments of the Gerowie Tuff, shales and siltstones of the Mt Bonnie Formation and turbidites of the Burrell Creek Formation.

NW trending, north plunging folds have folded the metasediments into an anticline-syncline pair within the eastern half of the tenement. Sediments in the central southern part of the tenements are intruded by the Allamber Springs Granite.

No iron mineralisation occurs on the tenement. The prospective Wildman Siltstone of the Mt Partridge group lies well to the east of the tenement.

Minor ferruginous occurrences are known from Banded Iron Formations in the Koolpin Formation, but most Koolpin formation rocks lie east of the tenement. Alluvial and hard rock gold mineralisation is known to occur at Union Reef Extended within the western half of the tenement which is underlain by Burrell Creek Formation rocks.

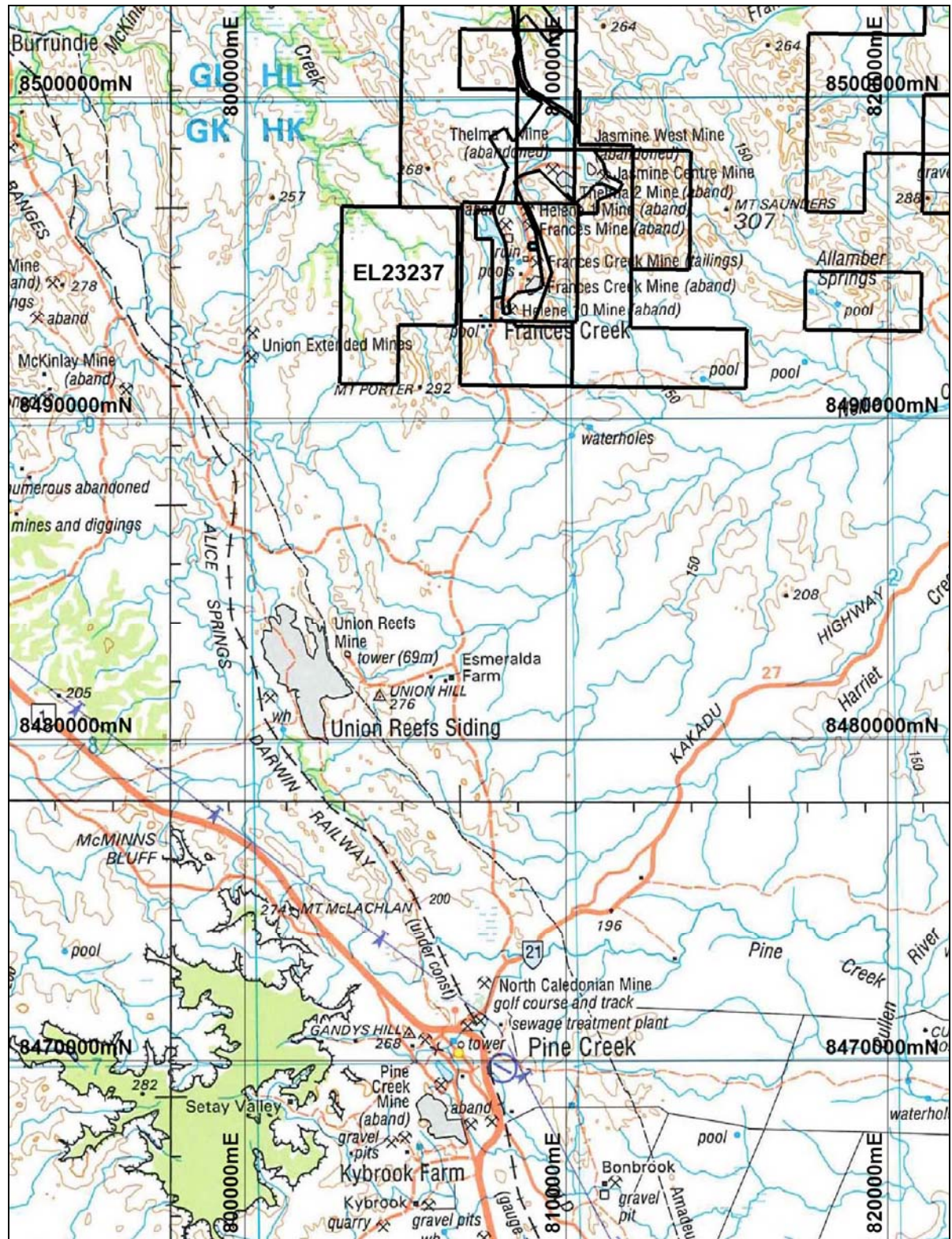


Figure 1 EL23237 Tenement Location

EL23237 is located west of the current mining tenements at Frances Creek, on hanging wall rocks to the iron ore bodies.

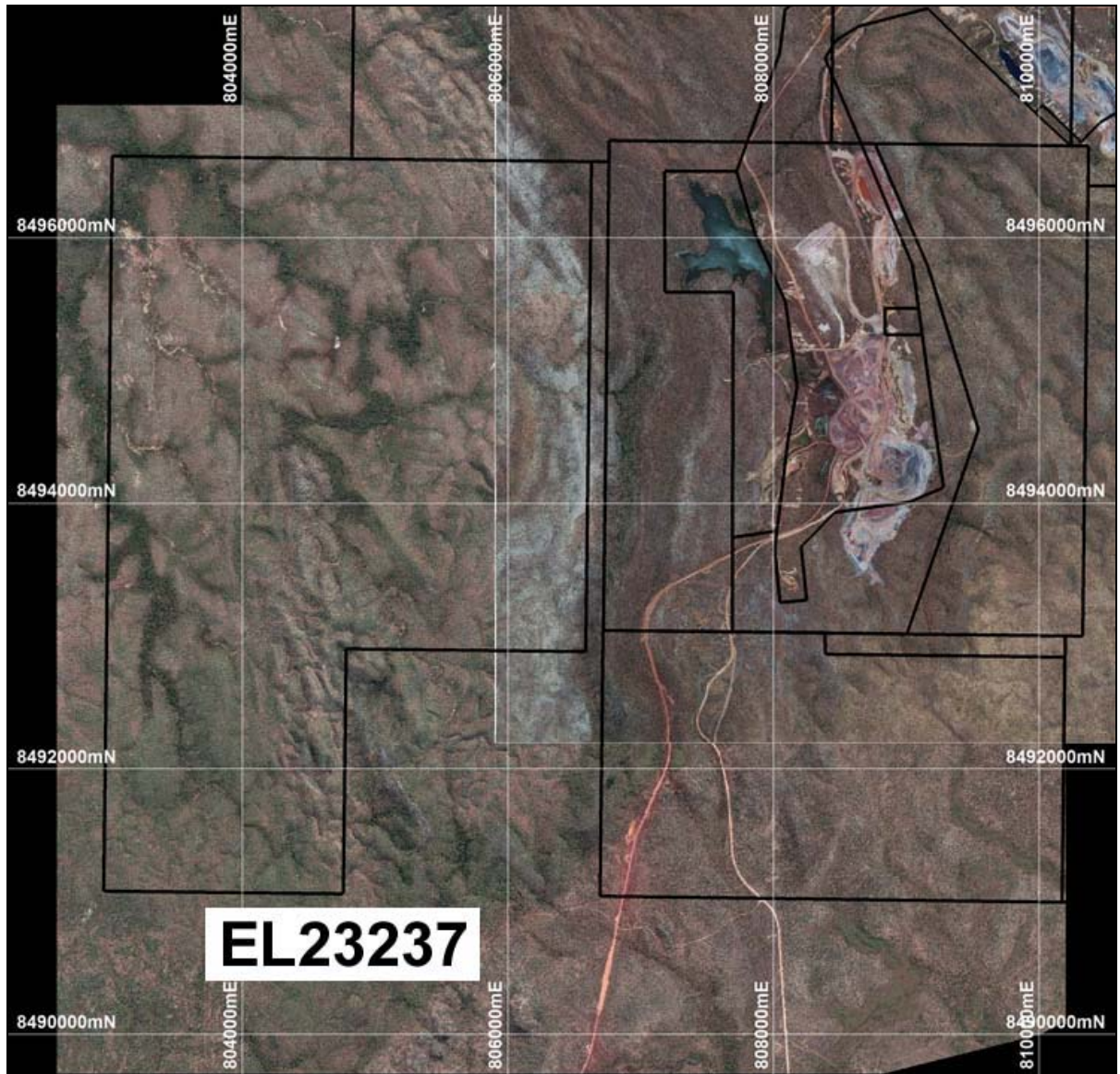


Figure 2 EL23237 Aerial Photography

Frances Creek mining area can be seen located 2km east of EL23237's eastern boundary. The topography is relatively severe, with deeply incised tributaries and steep, medium sized hills. Vegetation is relatively thick medium sized trees, low scrub, and buffalo grass.

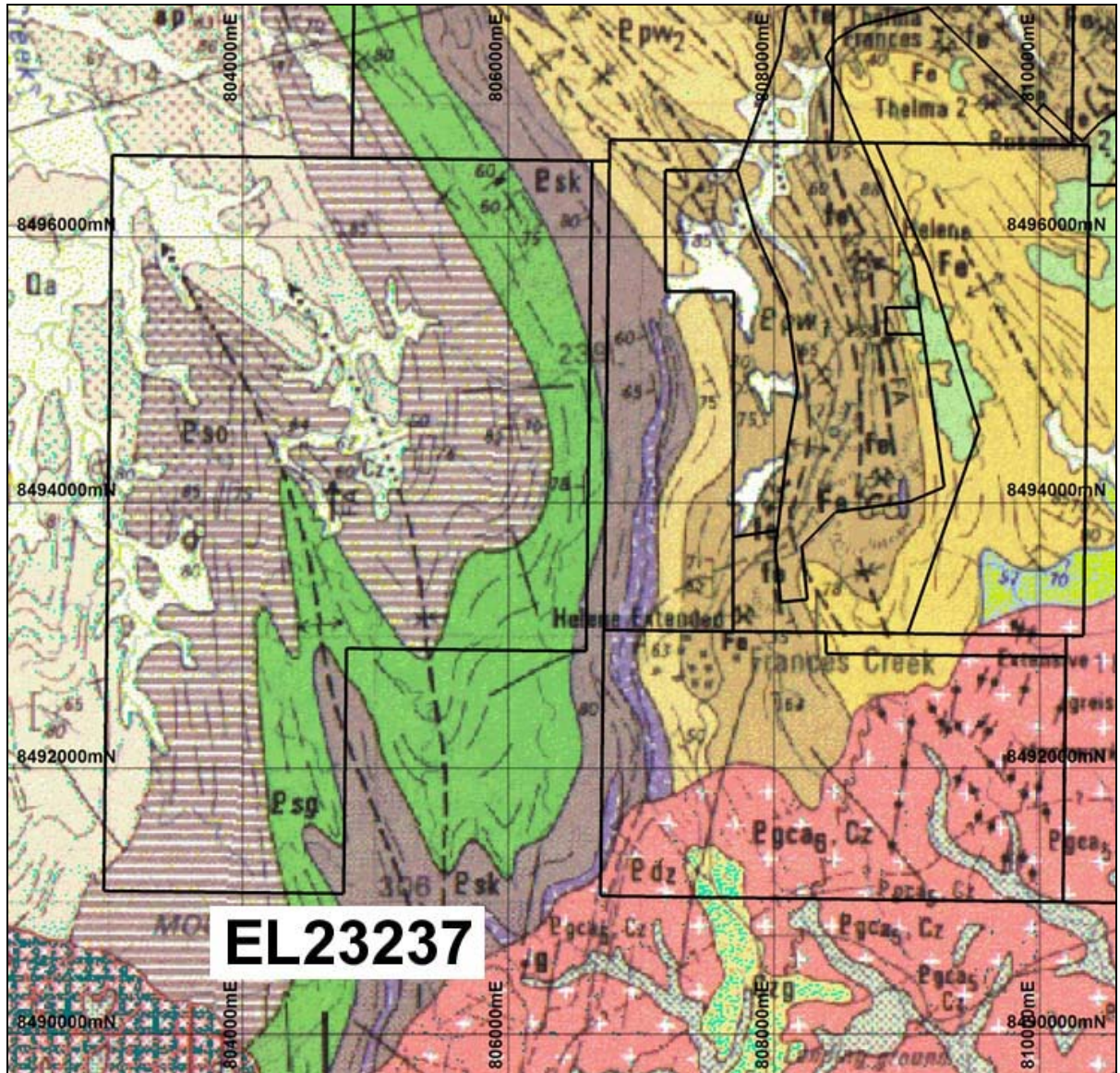


Figure 3 EL23237 Underlying Geology

The tenement is dominated by hanging wall units to the Wildman Formation that hosts the iron mineralisation at Frances Creek. The Mount Bonnie Formation (Pso, coloured grey-brown), a geological unit with no potential to host iron or manganese mineralisation. The Gerowie Tuff (Psg, coloured green) is similarly barren of ferrous mineralisation. The Koolpin Formation (Psk, coloured brown) has a number of thin, discontinuous, cherty Banded Iron Formation horizons that are occasionally iron-stained due to minor supergene enrichment.

5. WORK COMPLETED

A thorough understanding has been developed for the potential of this tenement to host iron mineralisation. Mapping conducted during 2007-2008 was reviewed, and ground-truthed. The underlying geology is not conducive to either hosting or developing economic iron mineralisation.

A preliminary meeting was held with Arafura to discuss the return of the tenement, in accordance with an agreement entered into in January 2008.

6. EXPENDITURE

Total expenditure for the reporting year was \$ 9,413.66 and is detailed in the NT Exploration Expenditure Statement attached as Appendix 1 to this report.

Proposed work on EL23237 during the year 2009 - 2010 will be scoped by Arafura Resources, and is likely to be focused on either gold or base metals.