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TERRITORY IRON LIMITED

A.C.N. 100 552 118

FRANCES CREEK PROJECT

**ANNUAL REPORT
FOR THE PERIOD
19th August 2008 – 18th August 2009**

Tenement EL24045

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

Prepared by
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Territory Iron Ltd.

SUMMARY

ML 24045 covers the southern extension of the Wildman Formation from the active Frances Creek mining area to the Pine Creek granite intrusive.

Over the course of the reporting period the following work was completed:

- Geological mapping (of part) of the area.
- A Frances Creek tenement-wide target generation exercise was undertaken; this included a re-assessment of radiometric and aeromagnetic data, as well as HyVista data. No strong iron ore targets were identified in the tenement.
- A review of gold occurrences and mineralization styles in the Frances Creek area was undertaken, and potential gold mineralization targets identified. On the back of this exercise, a soil sampling program targeting gold mineralization will be undertaken over the next reporting period.

Total expenditure during the reporting year was \$2,600.

Estimated expenditure for next year's program is \$7,000.

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1. INTRODUCTION

This report details exploration activities for iron mineralization conducted by Territory Iron Pty Ltd within EL24045 (Frances Creek) during the year ended 18th August 2009.

EL 24045 is located in part within 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 road for 23km to the Frances Creek iron ore mine site area.

2. TENURE

2.1 Mining/Mineral Rights

EL24045 was granted to Territory Iron Limited on 18th August 2004. The current term of the tenement expires on 18th August 2010. The tenement covers 7.911 km² or approximately 5 graticular blocks.

An application to waiver the reduction of the area under EL 24045 on completion of Year 2 was granted by the Minister for Mines and Energy on the 18th August 2006; and the retained area remains at 5 blocks.

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.

2.3 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 tenement area.

Registered native title claims DC01/21 Ban Ban Springs, Mary River West DC01/6 and Mary River DC00/18, cover the tenement area.

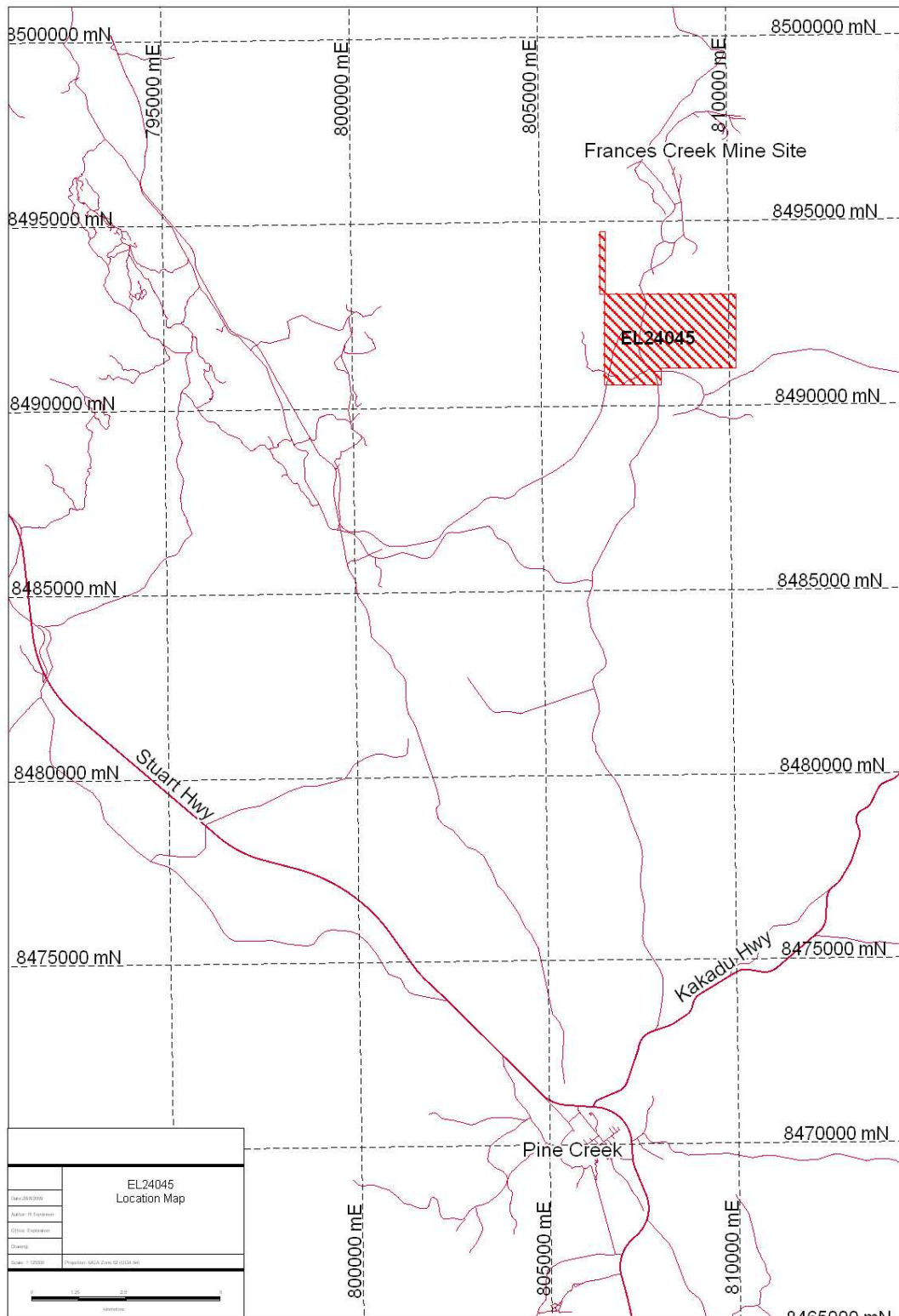


Figure 1. EL24045 Location Map.

3. LOCAL GEOLOGY

The Frances Creek tenement group provides a cross section of the Early Proterozoic sedimentary stratigraphy of the Pine Creek Geosyncline. The eastern most tenements cover sedimentary rocks of the Namoon and Mt Partridge Groups; the central tenements (including AN389) cover sedimentary rocks of the South Alligator and Mt Partidge Groups, including the iron-prospective Lower Wildman Siltstone, whilst the western tenements cover sediments of the Finnis River and South Alligator Groups. The sediments are complexly folded in a NNW trend. Conformable sills of Early Proterozoic Zamu dolerite are folded with the sediments. Cretaceous quartz-pebble conglomeritic sandstone forms remnant plateaus over the central tenement area.

The Frances Creek Iron deposits are hosted by the lower Wildman Siltstone, which is predominantly composed of Lower Proterozoic carbonaceous shales and siltstone. The iron mineralisation on a broad scale is stratiform as it follows the trace of a regional NNW trending shallowly plunging non-cylindrical anti-form and its subordinate parasitic folds. The iron deposits generally have moderate to steep dips on the fold limbs and appear to attain best grades and thicknesses within smaller parasitic drag folds, flexures and associated fold/fault breccias. The major folds reportedly formed as a result of ENE-WSW shortening during regional deformation event D3 (NTGS, 1993). However, the iron mineralisation itself appears to post-date the D3 folding event.

Undeformed breccia textures and textures indicative of high level open-space deposition (euhedral haematite and quartz, crystal lined voids, colloform banding) are ubiquitous within the deposits. The ore bodies were probably formed by low temperature hydrothermal (probably supergene) haematite (+-euhedral quartz+-kaolin) deposition within pre-existing breccias, which were formed by both high level folding in the siltstone host and within breccias possibly formed by the dissolution collapse and replacement of specific carbonate and/or sulphide beds within the Wildman Siltstone. Dolomitic carbonate and major cavities intersected in drilling directly below the Helene 6/7 and Helene 11 deposits support the role of carbonates in breccia formation. The fold breccias are frequently associated with F3 axial planar faults (M.Morowa, 2005) and folds or Post-D3 faults. Evidence of deformation subsequent to the formation of the iron mineralization is scarce and is restricted to brittle faulting and jointing.

Dykes of Early Proterozoic Zamu dolerite are intimately associated with the iron deposits. They appear to predate iron deposition, and are mostly conformable sills that have undergone the same folding and brecciation events as the host sediments. The dolerites may also in part be replaced by haematite. The apparent close relationship of dolerites and iron mineralisation is probably due to increased brecciation around the margins of the dolerites due to pre-existing weaknesses caused by their intrusion, associated hornfelsing of sediments and the resulting rheological contrasts between dolerite and the host meta-sediments. There is no evidence to suggest that the dolerites were a source of the hydrothermal iron bearing fluids. None of the weathered dolerites seen at Frances Creek appear depleted in iron.

Bleaching of siltstones in the hanging wall sequence has been postulated as an indicator of hydrothermal fluid flow. However, drill core frequently shows no or little bleaching of the carbonaceous shale footwall even where extensive areas of haematite breccia are present. Bleaching of the hanging wall is therefore more likely to be due to weathering. Typically, the footwall contact is a sharply defined redox boundary between the fully oxidised hanging wall and the relatively unaltered, weakly sulphidic carbonaceous shale footwall, with the iron ore bodies possibly formed in a redox front.

Distribution of goethite and phosphorous within the deposits is not well understood. Goethite probably formed due to late hydrological processes specific to each deposit. At Helene 5, goethite-phosphorous is restricted to a discrete zone at depth and is not a continuous feature over the deposit, and may be due to late faulting. At Thelma Rosemary a zone of stratiform >0.5% P iron ore within the orebody may be either fault related or may reflect a natural sedimentary variation in the protolith.

4. *WORK COMPLETED & RESULTS*

During the reporting period, Territory Iron carried out the following exploration activities on tenement EL24045:

- Reconnaissance and geological mapping (See Appendix 1 for results).
- A Frances Creek tenement-wide target generation exercise was undertaken; this included a re-assessment of radiometric and aeromagnetic data, as well as HyVista data. No strong iron ore targets were identified in the tenement (See Appendix 2 for results).
- A review of gold occurrences and mineralization styles in the Frances Creek area was undertaken, and potential gold mineralization targets identified (see Appendix 3 for results). On the back of this exercise, a soil sampling program targeting gold mineralization will be undertaken over the next reporting period.

5. *EXPENDITURE*

Territory Iron's expenditure for the reporting period amounted to \$2,600; see the NT Exploration Expenditure sheets in Appendix 4 for further detail.

6. 2010 WORK PROGRAMME AND BUDGET

The following work is anticipated to be undertaken in 2010:

- Soil Sampling (sampling program currently being designed)
- RC drilling

Estimated expenditure for this work is \$7,000

7. REFERENCES

Morowa, M. Report on Prospecting Activities, Structural Mapping and Regional Targeting, Frances Creek Region, Eastern Pine Creek Geosyncline. *TFE company report 2005.*

APPENDIX 1 – Geological Map of EL24045

APPENDIX 2 – Geophysical Data Review

APPENDIX 3 – Gold Prospectivity at Frances Creek

APPENDIX 4 – Expenditure