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

FRANCES CREEK SOUTH
EL24045

ANNUAL REPORT
19th August 2009 to 18th August 2010

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

David Broomfield
September 2010
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SUMMARY

Territory Iron Limited (later Territory Resources Limited) applied for tenement EL24045 on 23\textsuperscript{rd} September 2003. Following native title, landholder notification, and advertising, the tenement was granted on 19\textsuperscript{th} August 2004 for a term of 6 years to 18\textsuperscript{th} August 2010.

Reductions for deferral were granted on 1\textsuperscript{st} August 2006, 6\textsuperscript{th} September 2007, and the 28\textsuperscript{th} July 2008. On the 19\textsuperscript{th} August 2009, 2 out of 5 blocks were dropped reducing the area of the tenement from 7.91 km\textsuperscript{2} to 6.93 km\textsuperscript{2}. Work completed by Territory Resources Ltd over the partially relinquished area was reported in Hassall (2009).

The blocks relinquished in the 1\textsuperscript{st} Area Reduction formed a small part of the land area, covering the Allamber Springs Granite, and the Mundogie Formation footwall. None of the relinquished blocks had any significant potential for iron ore.

The tenement has been the subject of significant regional and reconnaissance exploration since 2004 and this work has been reported in detailed Annual Reports by Vivian (2005; 2006; 2007), Hassall (2008) and Tomlinson (2009).

Only limited exploration and development activities have been completed over the small remaining part of the EL24045 tenement during the 2009-10 reporting year, with total expenditure being $2,848.

Proposed work during the coming twelve months is to fully evaluate any remaining potential on the Wildman Sandstone Formation south of the historical Helene 10 open cut to the contact with the intrusive Allamber Springs Granite. As this area has never been drill tested to date, it is very likely to receive attention during the 2010-11 reporting period, so a decision can be made regarding retaining the ground. Total expenditure for the upcoming period will be approximately $10,000.
1. INTRODUCTION

This report details exploration activities for iron ore mineralisation conducted by Territory Resources Ltd within EL24045 (Frances Creek South) for the period 19th August 2009 to 18th August 2010 (a renewal for two years was pending at the time of this report).

EL24045 is located immediately south 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. Access from Pine Creek is along the sealed Kakadu Highway for about 3km and then along the Mary River station road for 23km into the southern end of the tenement.

EL24045 is located on the Pine Creek 1:100,000 map sheet and the area of interest within the tenement is associated with the Wildman Siltstone Formation and the Mundogie Sandstone Formation in the Mount Partridge Group.

2. TENURE

2.1 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 originally covered 7.91 km² or approximately 5 graticular blocks and is now 3 blocks after partial surrender in 2009 (Hassall, 2009).

Applications for reduction waiver were granted on 1st August 2006, 6th September 2007, and the 28th July 2008, with justification coming from the ongoing exploration effort to underpin sufficient Ore Reserve to redevelop the Frances Creek mining area. During 2008-09, the Company decided that sufficient work had been completed on most of the ground to return some of the blocks.

The 1st compulsory surrender has reduced the tenure from 5 to 3 sub-blocks, with a corresponding area reduction from 7.91 to 6.93 km².

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 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 exploration works 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.
3. **LOCAL GEOLOGY & MINERALISATION**

Palaeoproterozoic Wildman Siltstone and Mundogie Sandstone sediments of the Mt Partridge Group and Koolpin Formation rocks of the overlying South Alligator Groups, forming the west-dipping limb of a NNW tending antiform, are confined to the northern third of the tenement area. The remainder of the tenement is underlain by Allamber Springs Granite.

The Wildman Siltstone is the most widespread rock unit and comprises two informal sequences. The lower sequence consists of carbonaceous phyllite, ironstone, 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. Ironstone, and hence the development of iron occurrences, is absent from this sequence.

The Mundogie Sandstone, which underlies the Wildman Siltstone, is a sequence of coarse clastic sediments mainly comprising pebbly feldspathic conglomerate and arkose. Thin usually pyritic and haematitic interbeds of phyllite, carbonaceous phyllite and sandy siltstone are also present. The Sandstone crops out over a small area in the NE corner of the tenement.

Sills of pre-orogenic Zamu Dolerite are mapped in the western part of the tenement and appear to have preferentially intruded along the contact between the 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.

Within the region, and with the exception of the Lewis and Boots deposits which occur in Koolpin Formation rocks, all known iron mineralisation occurs in the lower Wildman Siltstone as stratiform discontinuous lenses consisting of massive hematite with variable inclusions of quartz and siltstone. The ore is structurally controlled, with thickening of ironstone horizons within fold axes. In the Koolpin Formation, band iron formation of the Middle Member forms at 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.

No significant economic iron occurrences are yet to be defined within tenement EL24045 and no exploratory drilling has taken place. Exploration planned for 2010-11 includes final geological mapping and reconnaissance to determine if any targets for RC drilling exist in the small tenement.
Figure 1  EL24045 Tenement Location Plan
Figure 2 – Tenement EL24045 over Local Geology Map

Figure 3 – Tenement EL24045 over Aerial Photography
4. **EXPLORATION ACTIVITIES**

4.1 **WORK COMPLETED – 2005** (from Vivian, 2005)

No ground exploration was conducted on the tenement during the 2004-05 reporting period. A desktop study was conducted as preparatory work prior to reconnaissance fieldwork.

These comprised an initial examination of technical reports, public domain aeromagnetic data and aerial photography. No relevant historical data of exploration activity was located for the area of EL24045.

The open file aeromagnetic survey data for the area was reviewed by Resource Potentials Pty Ltd and it was concluded that the resolution was inadequate to detect subtle magnetic features associated with iron mineralisation. A larger higher quality detailed airborne geophysical survey was planned for the 2005-06 reporting year, which also covered the entirety of EL24045.

Additionally, available air photography, geological and topographical maps of the tenement was compiled using ArcView GIS software to aid planning of field work.

4.2 **WORK COMPLETED – 2006** (from Vivian, 2006)

High resolution airborne magnetic, radiometric and digital terrain survey was conducted by UTS Geophysics over the entire Frances Creek tenement package during August-September 2005.

Acquisition specifications were: 50m line spacing, 090-270 line direction, 000-180 tie line direction, 500m tie line spacing, and 25m sensor height. This survey covered the Frances Creek – Ochre Hill district and included 92 line kilometres within part of EL24045.

Processing of the data and interpretation was undertaken by Resource Potentials Pty Ltd. The main magnetic features identified were two NNW trending parallel highs at about 808140mE and 8492680mN (GDA94 Zone 52) Drilling by Homestake in circa 1985 intersected weak pyrrhotite mineralisation at depth associated with andalusite within the metamorphic (hornfels) aureole of the Allamber Springs Granite nearby. The margin of the granite lies about 400m to the south and is clearly delineated by thorium and potassium radiometric signatures and subdued relief.

No definitive iron ore mineralisation targets were delineated by the aeromagnetic data. Two small iron mineralised boulder to subcropping areas were characterised by high silica content, located by the reconnaissance geological mapping. They held no economic potential for high grade iron ore tonnage. Much of the region appeared silica-flooded with minor pegmatites, which were thought to be directly associated with the nearby intrusive granite.

4.3 **WORK COMPLETED – 2007** (from Vivian, 2007)

No further field geological reconnaissance work was completed during this reporting year.
A helicopter-borne ReptEM (electromagnetic) survey scheduled to be flown by GPX Pty Ltd over the area was postponed due to mechanical problems and extra work volume on existing jobs at that particular period. The work was re-scheduled for the 2007-08 reporting year.

Data from the 2005 airborne magnetic and radiometric survey covering the northern half of EL24045 was reprocessed by Vector Research Pty Ltd to identify subtle features possibly associated with iron mineralisation. The group identified two prominent linear magnetic trends from 2nd Horizontal Derivative (2HD) features of the TMI data, which were thought to be related with iron ore mineralisation.

Limited RC drilling was then planned to test the features, which conformed well to ironstone strike identified from earlier mapping, but ultimately the work was not completed.

4.4 WORK COMPLETED – 2008 (from Hassall, 2008)

4.4.1 HYVISTA AERIAL SURVEY

Data acquisition over the entire Frances Creek property occurred on 15th October 2007. Three “classes” of imagery were produced:

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

- De-correlation 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;

- 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.

4.4.2 FIELD STUDY

New QuickBird satellite photography for the tenement was obtained from SRK. This was combined with the HyVista multispectral mapping and the NTGS geological maps to target potential ironstone outcrop over the tenement.

Field inspections showed no specific outcropping of iron ore mineralisation; however, the structural complexity of the region near the Allamber Springs Granite (within EL24045) was not reviewed for “blind” mineralisation, which is noted elsewhere at Frances Creek.


4.5.1 FIELD STUDY

The potential for economic iron mineralisation within the hanging wall Koolpin Formation and the footwall Mundogie Formation was assessed in EL24045, but found to be lacking.

A further review and re-assessment of radiometric and aeromagnetic geophysical data and HyVista data was undertaken, but no strong iron ore targets were noted within the general
region of EL24045. Subsequently, it was decided to drop two graticular blocks in late 2009 (see Hassall, 2009).

4.6 WORK COMPLETED – 2010

No significant work was completed on EL24045 during the present reporting year. However, commencing in May 2010, the region within a 5km radius of the Frances Creek ROM Pad is being geologically and structurally re-mapped (includes EL24045).

A new zone of interest was immediately found in EL24045 about 600m to 1,200m south of the open pit at Helene 10. This zone of iron stones is semi continuous between a saddle at 808140E 8492818N and the granite contact at 808267E 8492310N (all Zone 52 GDA94 coordinates).

The occurrence is 500m long and varies in width from 1 to 20m wide. Hematite and goethite +/- limonite is observed. There appears to be a strong supergene influence. In part, a quartz hematite shear zone occupies the eastern boundary with local isoclinal folding (anticline). The sequence is dominantly west dipping (~60°) and essentially follows the western slope of a valley. The boundaries of this zone have been positioned with GPS. This zone is about 250m above the Mundogie Sandstone with footwall carbon rich shales and siltstones. This iron stone zone is reflecting a Z shape in response to the regional dextral shear movement sense. Whilst mapping has located this zone the mapping assignment southwest of Helene 10 was not complete at period end. Evidence of a regional syncline is just starting to appear, so more ironstones may be found on the other limb (s).

The area will be examined in more detail to determine drilling target positions (if warranted).

5. PROPOSED EXPLORATION PROGRAMME – YEAR 7

The EL24045 tenement now comprises Wildman Formation (in contact with the intrusive Allamber Springs Granite) with identified weak iron mineralisation (see above), south of the historical Helene 10 open cut.

Mineralisation identified to date appears to be sub- to uneconomic; however, specific linear magnetic targets identified from re-processing aeromagnetic data in the 2006-07 reporting year were never followed up at the time. These could relate to buried “blind” iron ore mineralisation and Territory Resources will thoroughly evaluate the remaining portion of EL24045 in 2010-11, to determine if exploratory drilling is warranted.

6. REFERENCES


Hassall, I., 2009. Frances Creek South, EL24045, 5th Year, 1st Area Reduction, Partial Relinquishment Report.


APPENDIX 1   EXPENDITURE STATEMENT