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Operator	Territory Resources Limited
Tenement Manager / Agent	Australian Mining & Exploration Titles Services
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Mine / Project Details	Frances Creek East
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TERRITORY RESOURCES LIMITED

A.C.N. 100 552 118

EL23506 FRANCES CREEK EAST

ANNUAL REPORT

For The Period

8th May 2010 – 7th May 2011

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

Andy Burgess
May 2011

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SUMMARY

The following Report describes work completed on the Frances Creek East tenement EL23506 by Territory Resources Limited from 8th May 2010 to 7th May 2011. Territory Resources Limited has a Split Commodity Agreement to explore for and develop economical deposits of iron ore within the EL23506 tenement from current tenement holder syndicate of Teelow, Orridge and Clarke. This Agreement dates from November 2006.

The activities on EL23506 during the reporting year consisted of:

- Ground gravity geophysical surveying: this tenement was part of a larger geophysical review that re-interpreted all the historical and recent geophysical survey data available in the Frances Creek region over Territory Resource Limited's tenement holdings;
- Geophysical targets for iron mineralization were identified within EL23506 from review of the historical and newly acquired data; and
- Limited geological reconnaissance activities and data review.

1. INTRODUCTION

This Report details exploration activities for iron conducted by Territory Resources Limited during the period 8th May 2010 to 7th May 2011 on exploration tenement EL23506. The location of the tenement over aerial photography is shown below (*Figure 1*).

2. LOCATION AND ACCESS

EL23506 is centred about 16km NNE of the old Frances Creek iron ore mining district from which about six million tonnes was produced between 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 (see Figure 1). Access to EL23506 from Pine Creek is along the sealed Kakadu Highway for 21km and then north along the graded Mary River Station road for a further 20km which allows access to the southern portion of the tenement area.

3 TENURE

Tenement EL23506 was granted on 8th May 2003 for a 6 year term with an area of 173.7km² covering 52 sub-blocks. Reduction deferrals were granted on 22/05/2005, 04/04/2006, 02/04/2007, and 17/04/2008. A renewal application was made on 2nd February 2009, and was granted on 9th March 2009. The present listed expiry date of the tenement is 7th May 2011; however, the tenement holders have submitted an application to the NT Department of Resources on 23rd February 2011 for a further extension of 2 years until 2013. The renewal is pending at the date of this Report.

3.1 Mineral Rights

Territory Resources Limited explores for iron ore under a Split Commodity Agreement with the tenement holders Teelow, Orridge and Clarke, dating from November 2006.

3.2 Land Tenure

Land tenure under the title includes parts of:

- Ban Ban Springs Pastoral Lease, PPL 1111 – NT Portion 695, owned by Ban Ban Springs Station Pty Ltd, PO Box 7207, St Kilda Road, Melbourne, Vic 8004.
- Mary River East Pastoral Lease, PPL 1134 - NT portion 1631, owned by Mary River Wildlife Ranch Pty Ltd, PO Box 137, Pine Creek, NT 0847.

3.3 Aboriginal Heritage and Native Title

Registered native title claims are in place over the pastoral lease:

- DC01/21 (Paddy Huddleston & Ors) – PPL 1111
- DC00/18 (Northern Land Council) – PPL 1134

In July-August 2009 heritage surveying contractor Earth Sea Heritage was employed to conduct a detailed heritage survey over areas deemed prospective for iron mineralisation with the potential to incur drilling activities. A number of high and low priority areas of cultural significance were identified. Drilling and associated land disturbance was subsequently designed to avoid these areas and will continue to do so.

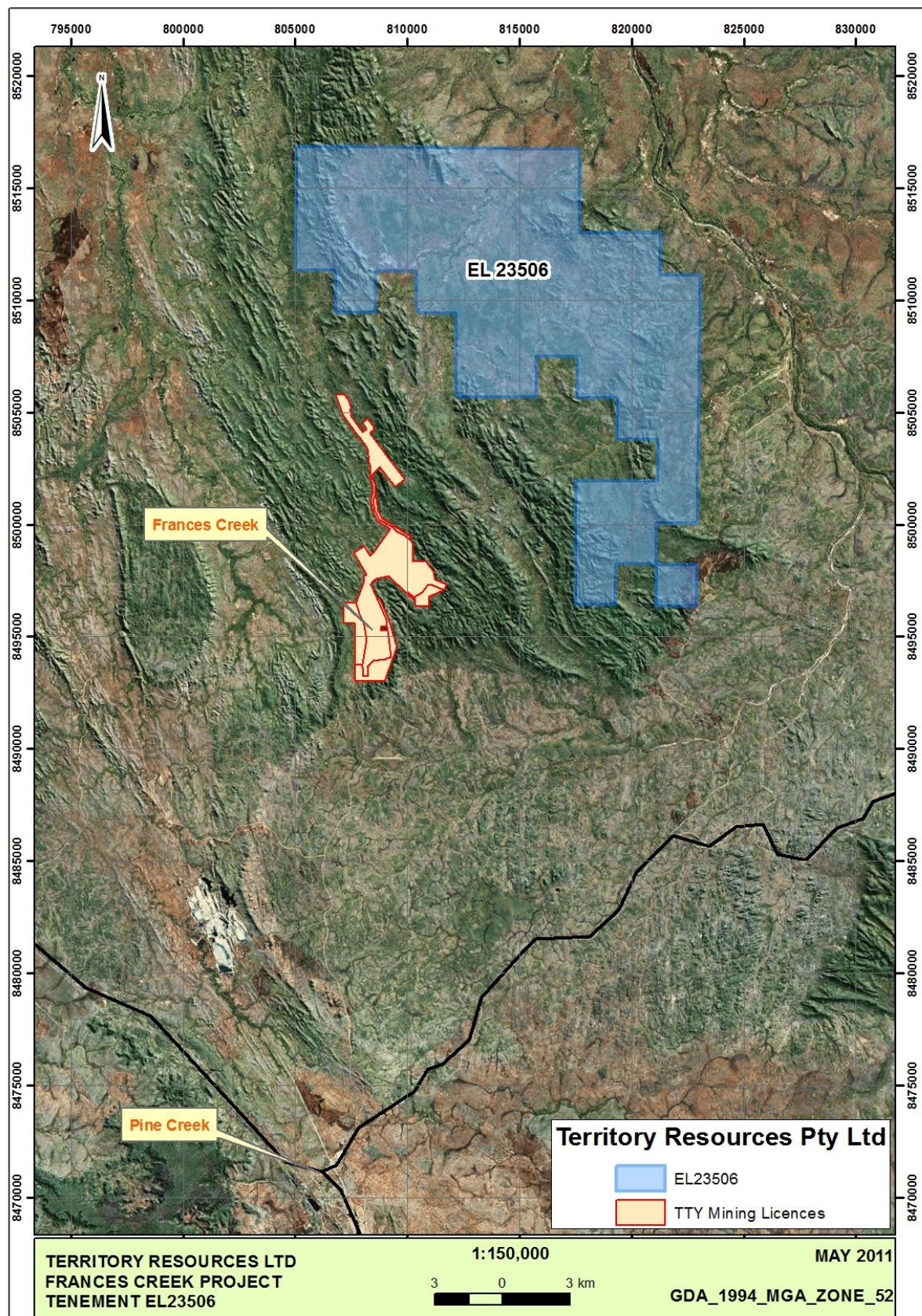


Figure 1: EL23506 Tenement Location over aerial photography

4. DISTRICT GEOLOGY AND MINERALISATION

Palaeoproterozoic Mundogie Sandstone sediments of the Mt Partridge Group and Masson Formation sediments of the Namoon Group cover most of the area (see Figure 2). Large bodies of conformable sills of pre-orogenic Zamu Dolerite appear to have preferentially intruded pelitic units of the Masson Formation.

These sediments and dolerite sills have been moderately to tightly folded about NW 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 a synclinorium 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.

The Masson Formation is considered to be mildly prospective for iron ore. The Frances Creek East deposits, which lie some 1.5km north of the tenement's south-western most boundaries, occurs as conformable ironstone bodies in tightly folded, ferruginous carbonaceous shale and phyllite of the Masson Formation, in close proximity to the Zamu Dolerite. Previous drill testing in this region has indicated limited prospectivity for economic occurrences of iron ore (refer Hassall, 2010).

The tenement has other settings that appear prospective for a similar style of iron mineralisation as the main Frances Creek mine on its westernmost margins; however, alluvial cover masks the target Wildman Siltstone Formation. The abundant Mundogie Sandstone does not appear to be prospective for iron ore, but remains largely unexplored for tin, especially in eastern areas adjacent to late granite intrusions associated with the Cullen Batholith.

5. EXPLORATION ACTIVITIES – CURRENT REPORTING YEAR

5.1 Geophysical targeting

An independent Report by Hawke Geophysics Pty Ltd was submitted to Territory Resources in November 2010. The Report discusses the interpretation and target generation for hematite mineralisation from all currently available geophysical and geological data over the Frances Creek Project area tenements. The main objective of the study was to map stratigraphy to identify prospective target horizons as well as identify direct targets for iron ore mineralisation.

Geophysical survey coverage within the project area included:

- Regional government magnetic surveying at 400m line spacing;
- Detailed magnetic and radiometric survey covering the prospective Wildman Siltstone Formation at a 50m line spacing and 25m flying height;
- Limited airborne EM coverage covering the historic mining area only;
- Several phases of gravity surveying, with station spacings varying from 50 x 250m down to 10 x 20m for individual surveys; and
- 13 line kilometres of ground gravity surveying completed by Haines Surveys Pty Ltd in EL23506 during the current reporting year.

A total of 45 targets for iron mineralisation were identified using the following criteria:

- Presence of (untested) outcropping iron ore mineralisation
- Strike extensions of known mineralisation
- Gravity high (due to mineralisation) adjacent to gravity low (due to carbonaceous shale)
- Subtle magnetic trend (secondary criteria)

The major initial focus was on a very detailed ground gravity survey programme. The survey was completed over the prospective Wildman Formation strata (that hosts the Frances Creek Mine's high-grade iron ore mineralisation) for about 20km of strike in the Frances Creek Project's northern tenements. This study included tenement EL23506 where the survey very successfully identified a number of new drilling targets (see Figure 2). The full Report and associated GIS data collated is located in Appendix 2 on the attached disc.

6. PROPOSED EXPLORATION ACTIVITIES – NEXT REPORTING YEAR

Based on the geophysical targets defined in the reporting year, Territory Resources Limited proposes to conduct detailed geological mapping of the defined geophysical targets, followed by broad spaced / infill RAB/aircore drilling in tenement EL23506. Territory proposes to conduct the following programme during 2011-12:

- Detailed geological mapping of geophysical targets east of Millers; followed by
- Phase I - broad spaced RAB/aircore drilling on 200 metre spaced lines with 40 metre centres (**40 holes**, 2,500 metres).
- Phase II - Infill RAB/aircore drilling on a 100 metre by 20 – 40 metre spacing of significant hematite mineralisation intersected in Phase I drilling (**20 holes**, 1,250 metres).

Refer to Figure 3 for location of the prospective Wildman Siltstone Formation drilling corridor.

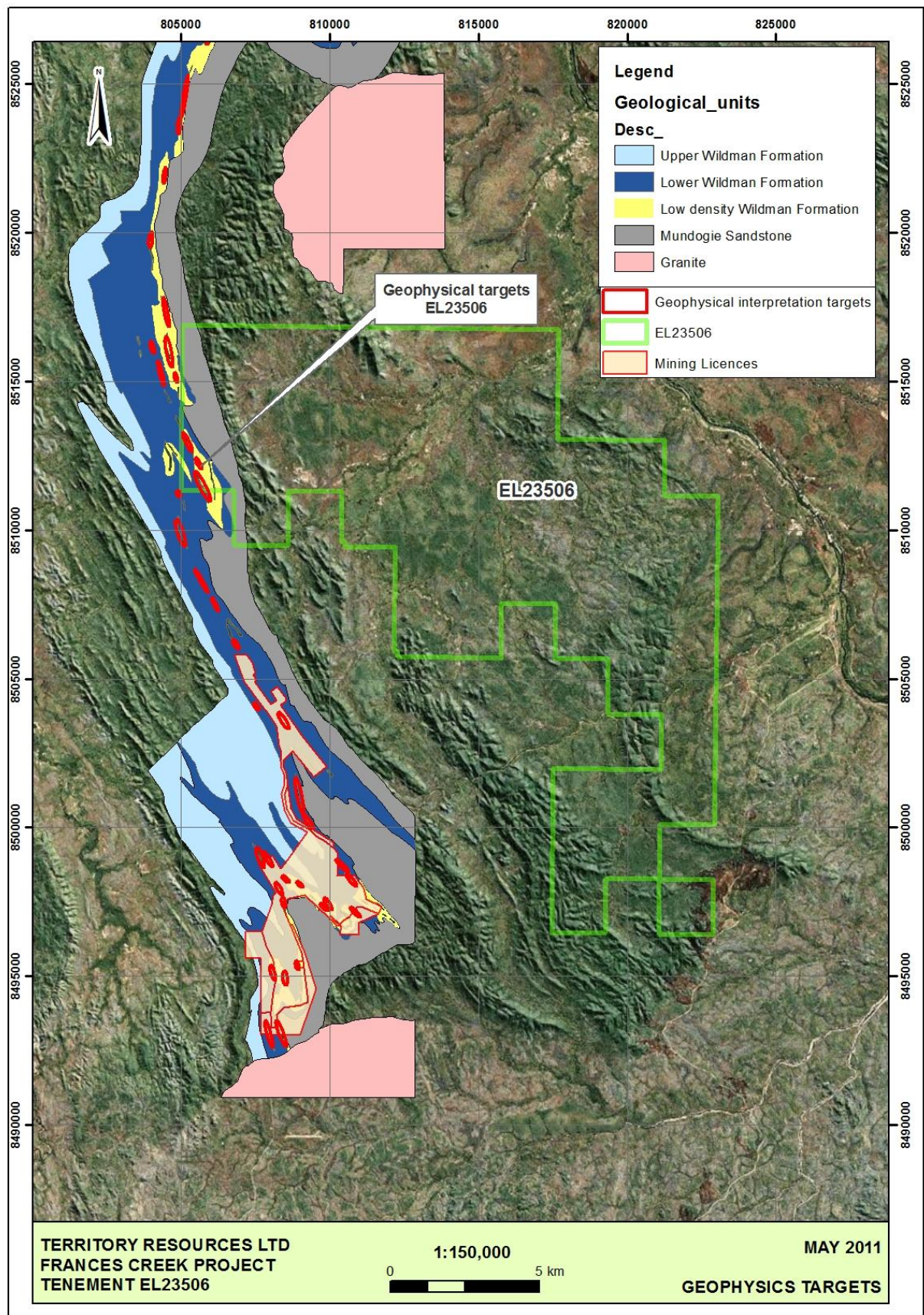


Figure 2: Tenement location over interpreted geology (geophysical targets shown for EL23506)

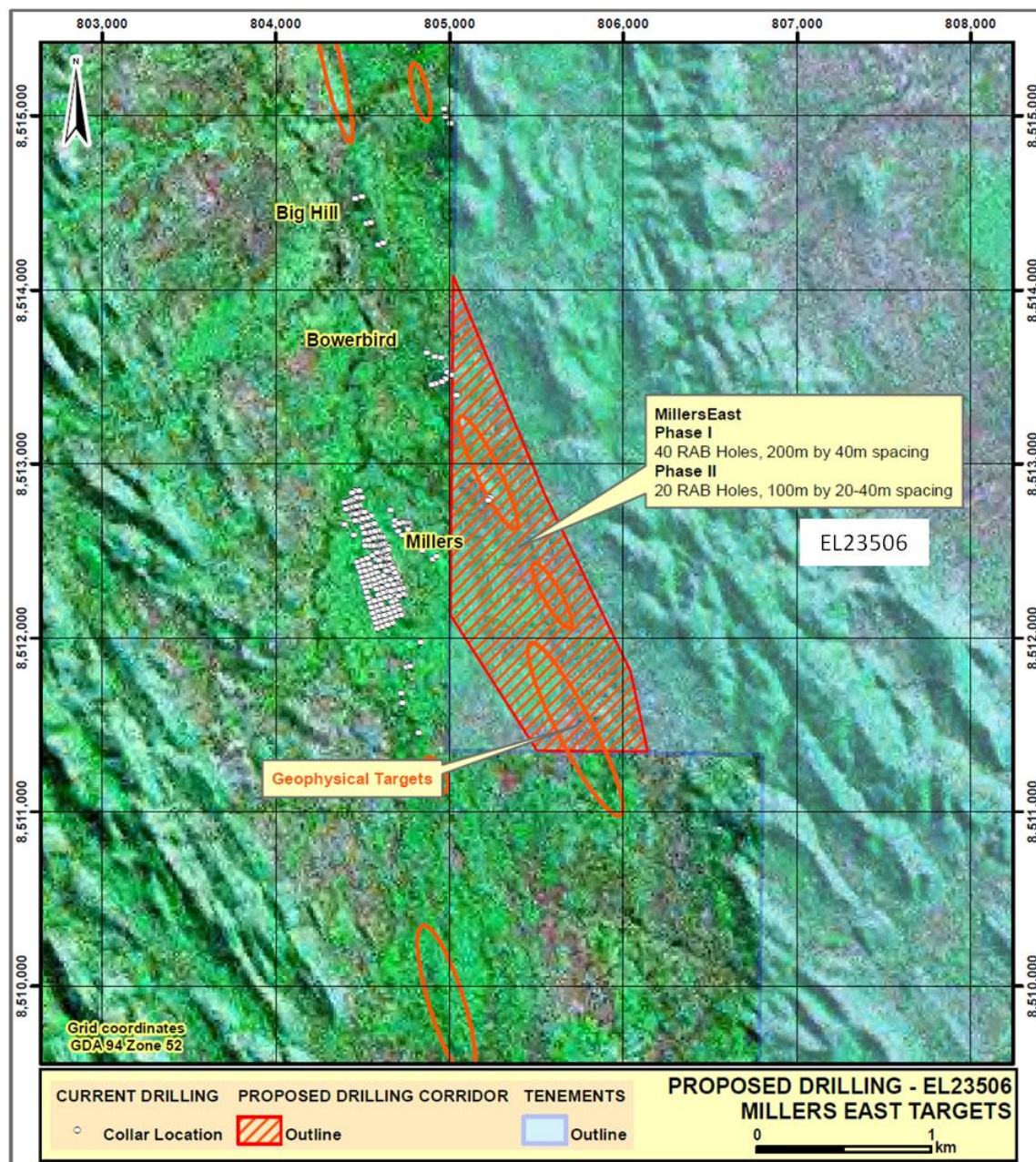


Figure 3: Proposed exploration drilling on Frances Creek East EL23506

7. EXPENDITURE

Total expenditure for the reporting year was **\$27,700** and is detailed in the NT Exploration Expenditure Statement attached as Appendix 1 to this Report.

8. REFERENCES

- Ahmad, M. et al, 1993. Explanatory Notes and Mineral Deposit Data Sheets. *Pine Creek SD52-8 1:250,000 Metallogenic Map Series*
- Hassall, I., 2010. EL23506 Frances Creek East – Annual Report for the period 9th May 2009 – 8th May 2010. *Territory Resources Limited – Internal Company Report.*

APPENDIX 1
EXPENDITURE STATEMENT

APPENDIX 2
INTERPRETATION OF PAST AND RECENT GEOPHYSICAL SURVEYS IN THE FRANCES
CREEK REGION, N.T.
Hawke Geophysics Pty Ltd, November 2010