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<th><strong>Title Holder</strong></th>
<th>Crocodile Gold Australia Pty Ltd</th>
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<td><strong>Operator</strong></td>
<td>Territory Resources Limited</td>
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<td><strong>Tenement Manager / Agent</strong></td>
<td>Australian Mining &amp; Exploration Titles Services Pty Ltd (AMETS)</td>
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<td><strong>Titles / Tenements</strong></td>
<td>EL24715</td>
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<td><strong>Mine / Project Details</strong></td>
<td>Frances Creek</td>
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<td><strong>Reporting Title</strong></td>
<td>Annual Exploration Report for EL24715 Mt Masson for the Period 1st March 2010 to 28th February 2011</td>
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TERRITORY RESOURCES LIMITED
A.C.N. 100 552 118

ANNUAL EXPLORATION REPORT FOR EL24715 MT MASSON
FOR THE PERIOD
1ST MARCH 2010 TO 28TH FEBRUARY 2011

Pine Creek SD52-08 1:250,000 Sheet
McKinlay River 5271 1:100,000 Sheet
NORTHERN TERRITORY

A. Burgess
April 2011
**SUMMARY**

The following report describes work completed on tenement EL24715 by Territory Resources Ltd from 1st March 2010 to 28th February 2011. In 2006, by virtue of an agreement, Territory Resources Limited acquired rights to explore iron ore within the tenement from current tenement holder Crocodile Gold Australia Pty Ltd.

The activities on EL24715 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 Ltd’s tenement holdings. Geophysical targets for iron mineralization were identified within EL24715
- Limited rock chip sampling and geological reconnaissance activities.
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1. INTRODUCTION

This report details exploration activities for iron and manganese mineralisation conducted by Territory Resources Limited during the period 1st March 2010 to 28th February 2011 on exploration tenement EL24715. The location of the tenement over aerial photography is shown below (Figure 1).

![Figure 1: Tenement location over aerial photography](image)
2. LOCATION AND ACCESS

EL24715 is located approximately 140km SE of Darwin and 50km north of the township of Pine Creek on the McKinlay River 1:100,000 map sheet and lies between latitudes 13° 16'S and 13° 24'S and longitudes 131° 46'E and 131° 50'E. Access is via the Stuart Highway, and then tracks to the east of the highway via the Mount Wells Road. The tenement is centered on the historical Mt Masson Tin Mine and just encompasses the Jessops Tin Mine. There are numerous abandoned diggings (probably for tin and gold) mentioned on the 100,000 topography map, but no iron ore has been commercially produced from the tenement area.

3. TENURE

EL24715 comprises 17 blocks totaling 56.81 km² and was granted to Terra Gold Mining Pty Ltd, a wholly owned subsidiary of GBS Gold Australia Pty Ltd (liquidated), on 1 March 2006 for an initial period of six years. The tenement expiry date is the 29th February 2012. GBS Gold Australia went into voluntary administration on 15 September 2009 and as a result, all assets including EL24715 were placed under care and maintenance. Crocodile Gold Australia Pty Ltd purchased all liquidated assets located in the Northern Territory in June 2009, and after meeting regulatory and statutory requirements, these assets including EL24715 were transferred to Crocodile Gold Australia on 6 November 2009.

3.1 MINERAL RIGHTS

In 2006, by virtue of an agreement, Territory Resources Limited acquired rights to explore for and ultimately mine iron ore within the tenement, if economic quantities were identified.

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.

3.3 ABORIGINAL HERITAGE SURVEY AND NATIVE TITLE

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

- DC01/21 (Paddy Huddleston & Ors) – PPL 1111
4. DISTRICT GEOLOGY & MINERALISATION

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 Namoona and Mt Partridge Groups; the central tenements cover sedimentary rocks of the South Alligator and Mt Partridge 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 South Alligator Group covers the western tenements, hosting the iron-bearing Koolpin Formation. The Koolpin Formation is represented by a series of narrow mineralized brecciated siltstone units located in a north-south trending valley located about 2km due west of the present mine workings at Frances Creek. The mineralisation is primarily iron with secondary manganese. The mineralisation can be recognized in the majority of outcrops by a conspicuous dark knobbly siltstone breccia. Occasionally, the iron is a replacement mineral in non-brecciated siltstone. Outcrops containing the manganese mineralisation are less continuous and are more likely to be displaced by faulting.

The Koolpin Formation unconformably overlies the Wildman Siltstone and is conformably overlain by the Gerowie Tuff. In places, sills of Zamu Dolerite have intruded along the upper and lower contacts and within the sequence.

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.
Dykes of Early Proterozoic Zamu Dolerite appear intimately associated with the iron ore 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 hematite. 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.

EL24715 is located at the western extent of the Minglo Granite of the Cullen Batholith with inliers of Frances Creek Granite. The eastern portion of the tenement is within the Mundogtie Sandstone (Figure 2). The western half of the tenement is covered by the Wildman Siltstone (Mount Partridge Group) which is laminated, red-brown and cream colour-banded silty carbonaceous phyllite (meta-siltstone). The western part of the tenement covers tightly folded Gerowie Tuff and Koolpin Formation.

The Mundogtie Sandstone has been considered prospective for vein Au deposits and polymetallic Cu-Pb-Zn-Ag vein mineralisation by the Northern Geological Survey. The Wildman Siltstone is considered prospective for iron ore, vein Au and polymetallic Cu-Pb-Zn-Ag vein mineralisation. The Koolpin Formation is considered prospective for unconformity-related U and Au-Pt-Pd deposition, vein Au, skarn Sn-W-Mo-Au deposition, Pb-Zn-Ag sulphides and iron ore. The Gerowie Tuff is considered prospective for vein Au and polymetallic Cu-Pb-Zn-Ag vein mineralisation.

The central portion of the tenement includes the Mt Masson Tin Mine (Sn, Au, Ag, As and base metals) and in the north the Jessops Tin Mine (anomalous Sn, Au, Ag, As and base metals). There are numerous abandoned diggings across the tenement. Iron and manganese have been identified to the south of the tenement at the Millers manganiferous iron ore prospect, but no commercial iron ore deposits have yet been identified within tenement EL24715.
5. EXPLORATION ACTIVITIES – 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 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.
- 75 line kilometres of ground gravity surveying was completed by Haines Surveys Pty Ltd in EL24715 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 EL24715 where the survey very successfully identified a significant 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.
5.2 Other Activities

Reconnaissance visits were made to the tenement during the reporting year that included minor geological mapping and rock-chip sampling. In total, nine (9) rock-chip samples were collected and generally showed encouraging Fe grades (with elevated phosphorus). They are listed below in Table 1 and also included in text file on the attached CD.

Exploration expenditure for the reporting year is $126,629 and details are outlined in Appendix 1.

| Project       | SAMPLE ID | MGA_N (GDA94 Zone 52) | MGA_E (GDA94 Zone 52) | Fe   | P   | Al2O3 | SiO2 | S   | Mn  | MnO | MgO | LOI |
|---------------|-----------|-----------------------|-----------------------|------|-----|-------|------|-----|-----|-----|-----|-----|-----|
|               | metres    | metres                | %                     | %    | %   | %     | %    | %   | %   | %   | %   | %   |     |
| Frances Creek North | FCN001   | 8512616               | 804743               | 60.9 | 0.18 | 1.3   | 3.0  | 0.02 | 0.5 | 0.6 | 0.2 | 7.1 |
| Frances Creek North | FCN002   | 8512892               | 805155               | 42.7 | 0.27 | 5.0   | 24.6 | <0.01| 0.1 | 0.1 | 0.3 | 6.6 |
| Frances Creek North | FCN003   | 8515012               | 805025               | 55.8 | 0.65 | 3.6   | 5.5  | 0.02 | 0.1 | 0.1 | 0.3 | 8.4 |
| Frances Creek North | FCN004   | 8515508               | 804853               | 55.2 | 0.55 | 2.4   | 6.7  | 0.03 | 1.4 | 1.9 | 0.3 | 7.9 |
| Frances Creek North | FCN005   | 8516036               | 804055               | 56.8 | 0.22 | 1.4   | 6.8  | <0.01| 0.1 | 0.1 | 0.2 | 9.3 |
| Frances Creek North | FCN006   | 8516210               | 804328               | 51.6 | 0.46 | 2.6   | 11.1 | 0.02 | 0.1 | 0.1 | 0.2 | 10.5|
| Frances Creek North | FCN007   | 8516253               | 803249               | 53.8 | 0.18 | 2.5   | 10.0 | <0.01| 0.1 | 0.1 | 0.2 | 9.1 |
| Frances Creek North | FCN008   | 8516804               | 803894               | 41.1 | 0.20 | 7.0   | 21.5 | 0.02 | 0.1 | 0.1 | 0.4 | 10.2|
| Frances Creek North | FCN009   | 8516594               | 804143               | 47.3 | 0.47 | 2.9   | 19.7 | 0.03 | 0.0 | 0.1 | 0.2 | 7.4 |

Table 1: Rock chip samples taken from EL24715 during the reporting year.
Figure 2: Tenement location over geology (geophysical targets shown inside EL24715)
6. PROPOSED EXPLORATION ACTIVITIES – NEXT REPORTING YEAR

Based on the geophysical targets defined in the reporting year, Territory Resources Ltd proposes to conduct phased RAB/Aircore, RC and diamond drilling in tenement EL24715. TTY proposes to conduct the following drilling programmes:

- Phase I - broad spaced RAB drilling on 200 metre spaced lines with 40 metre centres (70 holes, 3,500 metres).
- Phase II - Infill RAB drilling on a 100 metre by 20 – 40 metre spacing of significant hematite mineralisation intersected in Phase I drilling (30 holes, 1,500 metres).
- Phase III –RC holes targeting hematite mineralisation defined by RAB drilling on an 80 metre by 40 metre spacing (40 holes, 2,000 metres).
- Phase IV – Geotechnical and metallurgical diamond drilling (10 holes, 500 metres).

Refer to Figure 3 below for the location of proposed drilling.

Territory Resources Ltd also proposes to commence reconnaissance geological mapping and further surface rock chip sampling over the Upper Wildman Formation and Koolpin Formation to determine whether iron ore or manganese mineralisation is present.
Figure 3: Proposed exploration on Mount Masson EL24715
APPENDIX 2

INTERPRETATION OF PAST AND RECENT GEOPHYSICAL SURVEYS IN THE
FRANCES CREEK REGION, N.T.

Hawke Geophysics Pty Ltd, November 2010