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<td><strong>Titles / Tenements</strong></td>
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<td>Frances Creek North</td>
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<td>Frances Creek North EL24040 – Annual Report 19th August 2010 to 18th August 2011</td>
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TERRITORY RESOURCES LIMITED
A.C.N. 100 552 118

FRANCES CREEK NORTH
EL24040
ANNUAL EXPLORATION REPORT FOR THE PERIOD
19TH AUGUST 2010 TO 18TH AUGUST 2011

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

A. Burgess
September 2011
SUMMARY

The following report describes work completed on tenement EL24040 by Territory Resources Ltd from 19th August 2010 to 18th August 2011.

The activities on EL24040 during the reporting year consisted of:

- Geophysical review: 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 EL24040.
- Geological reconnaissance activities. A number of field trip visits were made to this tenement to assess and review the geophysical and geological targets from the above review.
- Obtained quotation for the capture of detailed ortho-photography and DTM data for the entire Frances Creek Project area (including across EL24040).
- Design of ground gravity survey. Territory Resources staff undertook the design of the proposed ground gravity survey in tenement EL24040 (and adjacent EL24715) within the reporting period. The survey consisted of 200m line spacings with 50m stations. A total of 77 lines with 1,636 stations were designed, with the majority (~85%) within EL24040.

Territory Resources had planned to conduct the ground gravity survey within the reporting period. However, due to a prolonged wet season and contractor availability, the ground gravity survey started five days after the 2010 – 2011 reporting period ended (23rd August 2011). Expenditure for this survey is expected to exceed $150,000. Preliminary results from the survey data capture are encouraging and will be reported in the 2011-2012 reporting period.

Total expenditure for the 2010-11 reporting year was $27,700.
SUMMARY

1. INTRODUCTION 2

2. LOCATION AND ACCESS 3

3. TENURE 3

  3.1 MINERAL RIGHTS 3
  3.2 LAND TENURE 4
  3.3 ABORIGINAL HERITAGE AND NATIVE TITLE 4

4. DISTRICT GEOLOGY AND MINERALISATION 4

5. EXPLORATION ACTIVITIES– REPORTING YEAR 2010-11 7

  5.1 Geophysical targeting 7
  5.2 Other Activities 9

6. PROPOSED EXPLORATION ACTIVITIES – 2011-12 10

FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>EL24040 Tenement location</td>
<td>2</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Tenement location over geophysical targets</td>
<td>8</td>
</tr>
<tr>
<td>Figure 3</td>
<td>EL24040 Ground Gravity survey design</td>
<td>9</td>
</tr>
</tbody>
</table>

APPENDICES

| Appendix 1 | Expenditure Statement | 11 |
| Appendix 2 | Interpretation of Past and Recent Geophysical Surveys in the Frances Creek Region, N.T. Hawke Geophysics Pty Ltd November 2010 (Internal Company Report) |  |
1. INTRODUCTION

This report details exploration activities for iron and manganese mineralisation conducted by Territory Resources Limited during the period 19th August 2010 to 18th August 2011 on exploration tenement EL24040. The location of the tenement over aerial photography is shown below (Figure 1).

![Figure 1: EL24040 Tenement location](image-url)
2. LOCATION AND ACCESS

EL24040 is located approximately 40km due north 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 25km into the southern end of the Mine tenements. Exploration tracks then connect the Mine to exploration tenure to the north (including EL24040).

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.

EL24040 is located on the McKinley River 1:100,000 Mapsheet and the area of interest within the tenement are associated with the Wildman Siltstone Formation and the Mundogie Sandstone Formation in the Mount Partridge Group. Previous work had identified ironstone quartz breccias, probably associated with oxidation and replacement of pyrite horizons within the carbonaceous units of the Wildman Siltstone. Outcrops generally consist of remobilised hematite with quartz breccia, typically with strike lengths of 30 metres and widths up to 5 metres.

3. TENURE

3.1 MINERAL RIGHTS

Territory Iron Limited (later Territory Resources Limited) applied for tenement EL24040 on 23rd September 2003. Following native title, landholder notification, and advertising, the tenement was granted on 19th August 2004 for a term of 6 years to 18th August 2010. A renewal term of two years was granted for EL24040 in November 2010, to extend the expiry date to 18th August 2012.
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 dolerite 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.

EL24040 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 Mundogie 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 Mundogie 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 in 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 EL24040.
5. EXPLORATION ACTIVITIES – REPORTING YEAR 2010-11

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 EL24040 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, mainly EL24715 (adjacent to and south of EL24040). This survey very successfully identified a significant number of new drilling targets (see Figure 2).
Figure 2: Tenement location over geology (geophysical targets shown inside EL24040)
5.2 Other Activities

- Territory Resources decided to extend the ground gravity survey into EL24040 during the 2010-2011 field season and designed the following survey (see Figure 3):

![Figure 3: EL24040 Ground Gravity survey design](image-url)
The survey consists of 200m line section spacing with 50m stations. A total of 77 lines with 1,636 stations were designed, with the majority (~85%) falling within EL24040.

- A number of geological reconnaissance visits were made to this tenement to assess and review the geophysical and geological targets from the above review.

- Territory Resources also obtained quotation for the capture of detailed orthophotography and DTM data for the entire Frances Creek Project area (including across EL24040).

Exploration expenditure for the reporting year is $27,700 and details are outlined in Appendix 1.

6. PROPOSED EXPLORATION ACTIVITIES – 2011-12

Territory Resources had planned to conduct the ground gravity survey within the reporting period. However, a significant wet season effectively meant that the ground gravity survey programme had to be delayed until access to the tenement was possible without getting bogged. There were also delays with contractor availability and the ground gravity survey started five days after the 2010 – 2011 reporting period ended (on 23rd August 2011). Expenditure for this survey is expected to exceed $150,000.

Preliminary results from the survey are encouraging and follow-up geological mapping, rock-chip sampling and drilling are planned which will be reported in the 2011-2012 reporting season.
APPENDIX 2

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

Hawke Geophysics Pty Ltd, November 2010