<table>
<thead>
<tr>
<th><strong>Title Holder</strong></th>
<th>Territory Resources Limited</th>
</tr>
</thead>
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<tr>
<td><strong>Operator</strong></td>
<td>Territory Resources Limited</td>
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<tr>
<td><strong>Tenement Manager / Agent</strong></td>
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<td>ML24727, ML25087, ML25088, ML25152, ML25396, ML26222 &amp; ML25529</td>
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<tr>
<td><strong>Mine / Project Details</strong></td>
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<td><strong>Reporting Title</strong></td>
<td>Combined Annual Report for the Period 1st November 2010 to 31st October 2011, covering Mining Tenements ML24727, ML25087, ML25088, ML25152, ML25396, ML26222 &amp; ML25529</td>
</tr>
<tr>
<td><strong>Personal Authors</strong></td>
<td>Andy Burgess</td>
</tr>
<tr>
<td><strong>Corporate Authors</strong></td>
<td>Territory Resources Limited</td>
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<tr>
<td><strong>Company Reference Number</strong></td>
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<td>Pine Creek SD5270</td>
</tr>
<tr>
<td><strong>Contact Details</strong></td>
<td>Andy Burgess</td>
</tr>
<tr>
<td></td>
<td>Business Development Analyst</td>
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<td></td>
<td>23 Ventnor Avenue, West Perth</td>
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<tr>
<td></td>
<td>WA 6005</td>
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<td>08 9483 5111</td>
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<tr>
<td><strong>Email for Technical Enquiries</strong></td>
<td><a href="mailto:aburgess@territoryresources.com.au">aburgess@territoryresources.com.au</a></td>
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<td><a href="mailto:aburgess@territoryresources.com.au">aburgess@territoryresources.com.au</a></td>
</tr>
</tbody>
</table>
TERRITORY RESOURCES LIMITED
A.C.N. 100 552 118

COMBINED ANNUAL REPORT FOR THE PERIOD

1st NOVEMBER 2010 TO 31st OCTOBER 2011

COVERING MINING TENEMENTS

ML24727, ML25087, ML25088, ML25152, ML25396, ML26222 & ML25529

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

Andy Burgess
January 2012
**SUMMARY**

The Reporting Group of tenements ML24727, ML25087, ML25088, ML25152, ML25396, ML26222 & ML25529 overlay high grade iron ore deposits at the Frances Creek Mine, and as such significant work was carried out on the tenements during the 2010-11 reporting period.

The tenements are located 220km south of Darwin, and 23km north of the town site of Pine Creek.

The lithology is comprised of Palaeoproterozoic sedimentary rocks that have been folded and metamorphosed to green schist facies. Mineralisation is restricted to a relatively narrow brecciated zone that runs above and sub-parallel to the Lower Wildman Formation footwall.

Continued analysis of the existing exploration drill data and detailed in-pit grade control data during 2011 has shown significant geological structural complexity and its controls on ore body geometry. Territory has continued to test plunge positions of important ore shoots at the Frances Creek Mine with significant success. This has highlighted some poorly drilled or undrilled areas for immediate follow up.

Exploration work for the 2010-11 reporting year included:

- 261 Reverse Circulation drill holes completed for a total of 23,878 metres;
- 4 Diamond drill hole tails completed for a total of 126.25 metres;
- 86 Air Core holes completed for a total of 4,778 metres;
- Extensive Aboriginal Heritage work over areas within the tenements likely to be disturbed by either Exploration or Mining;
- Resource models updated by Territory Resources Limited personnel;
- All existing Mineral Resource models re-optimised using improved open pit optimisation parameters and new Mineral Resources and Ore Reserves for the Mine became available at 30th September 2011, using a lower 45% Fe ore block cut off;
- Geological mapping and reconnaissance commencing between a number of the important deposits in the Frances Creek Mine site area;
- An updated 2012 MMP for the planned Mine area being compiled towards the end of the reporting period and this will be submitted to the NT DOR in February 2012 for review.
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APPENDICES

Appendix 1: NT DOR Text Files (includes Verification List)
1. INTRODUCTION

This report details exploration activity for iron ore mineralisation conducted by Territory Resources Limited within the Mining Tenement Reporting Group GR – 125/09 (Frances Creek) during the year ending 31st October 2011.

The tenement group 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 (see 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.

The tenement group was pegged over the top of a number of exploration tenements to facilitate mining of the Frances Creek District’s Helene, Thelma, Rosemary and Ochre Hill iron ore deposits. The group comprises of ML24727, ML25087, ML25088, ML25152, ML25396, ML26222 & ML25529 with the anniversary dates shown in below (see Table 1 and Figure 2).

ML26222 and ML25529 were both granted on 22/12/2010 and were added to GR – 125/09 on 25th March 2011.

<table>
<thead>
<tr>
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<th>Grant Date</th>
<th>Term (yrs)</th>
<th>Area (hectares)</th>
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<td>05/04/2007</td>
<td>25</td>
<td>1216</td>
</tr>
<tr>
<td>ML25087</td>
<td>24/04/2007</td>
<td>25</td>
<td>61.3</td>
</tr>
<tr>
<td>ML25088</td>
<td>24/04/2007</td>
<td>25</td>
<td>33.0</td>
</tr>
<tr>
<td>ML25152</td>
<td>24/04/2007</td>
<td>25</td>
<td>137.9</td>
</tr>
<tr>
<td>ML25396</td>
<td>24/04/2007</td>
<td>25</td>
<td>165.1</td>
</tr>
<tr>
<td>ML26222</td>
<td>22/12/2010</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>ML25529</td>
<td>22/12/2010</td>
<td>25</td>
<td>31.5</td>
</tr>
</tbody>
</table>

Table 1: Tenements within the Frances Creek Reporting Group GR – 125/09
2. TENURE

2.1 MINERAL RIGHTS

All tenements are held 100% by Territory Resources Limited, a resource company registered in Western Australia. On 9th June 2011, an on-market takeover offer by Jonesville Limited, a wholly owned subsidiary of Noble Group Ltd was made for all of the shares in Territory Resources Ltd who were the company’s major shareholder. Noble Resources Group is a commodities trader listed on the Singapore stock exchange (SGX: N21). Territory Resources Ltd is now a 100% owned subsidiary of the Noble Resources Group.

2.2 LAND TENURE

The tenement reporting group overlies the Ban Ban Springs & Mary River West pastoral leases.

2.3 ABORIGINAL HERITAGE SURVEY AND NATIVE TITLE

Extensive fieldwork was conducted by Earth Sea Heritage Surveys during the reporting period to identify Significant Sites, predominantly on ML24727 where most ground disturbance was conducted.
Figure 2: Tenement Location Plan – Group Reporting Tenements GR125/09. Green outline is ML24727
3. DISTRICT 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 (refer to Figure 3). 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, appears absent from this upper sequence of the Wildman Siltstone Formation. 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 hematitic interbeds of phyllite, carbonaceous phyllite and sandy siltstone are also present. The Sandstone crops out over small areas in ML25396, ML25529 & ML25087.

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 to 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 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 (and newly identified Luke’s Find deposit on tenement AN389) which occur in Koolpin Formation rocks, all known iron ore 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 minor fold axes. In the Koolpin Formation, band iron formation of the Middle Member forms near surface gossanous, hematite-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 iron occurrences are presently known within the Frances Creek Reporting Group R – 125/09 tenements within the Koolpin Formation at this stage.
Figure 3: Tenement Geology – Group Reporting Tenements GR – 125/09
4. EXPLORATION ACTIVITIES – YEAR 4

4.1 DRILLING PROGRAMMES

4.1.1 RC DRILLING

Reverse circulation (RC) drilling during the reporting year totalled 261 RC holes for a total of 23,878 metres. The majority of RC holes were completed on ML24727; 14 RC holes were completed within ML25152 and 7 holes were completed in ML26222.

RC drilling was carried out by three separate drilling companies during the reporting period: H2O drilling, AMWD drilling, and Drillwest. All diamond and AC drilling was undertaken by Drillwest during the reporting period. A drill hole location map is presented in Figure 4.

RC Drilling was conducted at Helene 4, Helene 5/67, Helene 9, Helene 9/11, Helene 11, Helene 11 north, Saddles 1, Saddles East, Jasmine, Thelma 1, Thelma 2 and Rosemary. Diamond drilling tails were conducted at Helene 6/7, and Jasmine.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Number of Holes</th>
<th>Metres</th>
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<td>13</td>
<td>935</td>
<td>ML24727</td>
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<tr>
<td>Helene 4</td>
<td>17</td>
<td>1,392</td>
<td>ML24727, ML26222</td>
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<tr>
<td>Helene 5</td>
<td>33</td>
<td>4,926</td>
<td>ML24727</td>
</tr>
<tr>
<td>Helene 6/7</td>
<td>5</td>
<td>848</td>
<td>ML24727</td>
</tr>
<tr>
<td>Helene 9</td>
<td>12</td>
<td>1,070</td>
<td>ML24727, ML25152</td>
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<tr>
<td>Helene 9/11</td>
<td>32</td>
<td>2,548</td>
<td>ML24727, ML25152</td>
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<tr>
<td>Helene 11</td>
<td>13</td>
<td>807</td>
<td>ML24727</td>
</tr>
<tr>
<td>Helene 11 North</td>
<td>19</td>
<td>1,620</td>
<td>ML24727, ML25152</td>
</tr>
<tr>
<td>Jasmine</td>
<td>68</td>
<td>6,573</td>
<td>ML24727</td>
</tr>
<tr>
<td>Thelma-Rosemary</td>
<td>28</td>
<td>1,817</td>
<td>ML24727</td>
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<tr>
<td>Saddles 1</td>
<td>9</td>
<td>689</td>
<td>ML24727</td>
</tr>
<tr>
<td>Saddles East</td>
<td>12</td>
<td>780</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>261</strong></td>
<td><strong>23,878</strong></td>
<td></td>
</tr>
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Table 2: Reverse Circulation Drilling metres by deposit

4.1.2 AIRCORE (AC) DRILLING

Aircore (AC) drilling during the reported year totaled 86 Aircore holes for a total of 4,778 metres. All of the AC holes were completed within ML24747. All AC drilling was undertaken by Drillwest during the reporting period. A drill hole location map is presented in Figure 4.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Number of Holes</th>
<th>Metres</th>
<th>Tenement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth Marion</td>
<td>79</td>
<td>4,259</td>
<td>ML24727</td>
</tr>
<tr>
<td>Saddles</td>
<td>7</td>
<td>519</td>
<td>ML24727</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>86</strong></td>
<td><strong>4,778</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Aircore Drilling metres by deposit
4.1.3 DIAMOND DRILLING

There were a total of 4 diamond drill hole tails (drilling at the bottom of RC pre-collars) completed for 126.25 metres during the reporting year. All diamond drilling was undertaken by Drillwest during the reporting period. A drill hole location map is presented in Figure 4.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Number of Holes</th>
<th>Metres</th>
<th>Tenement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth Marion</td>
<td>79</td>
<td>4,259</td>
<td>ML24727</td>
</tr>
<tr>
<td>Saddles</td>
<td>7</td>
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<td>ML24727</td>
</tr>
<tr>
<td>TOTAL</td>
<td>86</td>
<td>4,778</td>
<td></td>
</tr>
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</table>

Table 4: Diamond Drilling metres by deposit

As the tables above show, the majority of drilling was conducted on ML24727 since this tenement hosts the larger ore bodies.

Full data is presented in Mineral Exploration Reporting Template formatted files that are attached to this report.
**Figure 4:** Drill Hole Locations – Group Reporting Tenements GR 125/09
4.1.4 SAMPLING, ASSAYING AND SURVEYING

RC and AC Samples were collected off the drill rig at 1 metre intervals, and spoil was laid in one metre piles adjacent the rig. A representative scoop was sieved, washed, placed in a numbered chip tray and logged by the geologist for hardness, colour, lithology, oxidation state, and moisture.

A total of 28,656 riffled reverse circulation and Aircore samples were collected and logged. The total amount assayed was 10,117 samples. Selection criteria for assay were:

- Any sample logged as having or having potential for iron ore bearing minerals, including a 5 metre ‘buffer’ either side of the mineralisation;
- A 5 metre composite sample to be taken for all other intervals throughout the hole not displaying mineralisation.

This assaying protocol was decided to ensure that mineralisation would not be missed, as every drilled metre is being assayed. This also provides geochemical data for waste rocks, to be used in waste rock classification and waste storage designation. The waste rocks include some pyrite-bearing black shales that have potential acid forming properties. Assaying this material provides inputs to mine planning and waste storage strategies.

Samples were sent to NTEL Laboratories in Darwin for assay by XRF.

A major suite of elements were assayed for and reports included the following analytes: Fe, Fe₂O₃, Al₂O₃, CaO, K₂O, MgO, Mn, MnO, P, P₂O₅, S, SO₃, SiO₂, TiO₂, V₂O₅, and LOI1000.

Hole collars were surveyed using a differential GPS system. Downhole single shot surveys were run at regular intervals during drilling to record downhole deviation away from the planned hole angle and azimuth. Pilbara Wireline Services (PWS) completed gyroscopic down hole surveys; Territory Resources also completed in-house surveys with a gyroscopic survey tool rented from Downhole Surveys.

4.1.5 DATA MANAGEMENT

Drill hole collars were surveyed by the AusSurv, the Frances Creek Mine survey contractors. Collar surveys, lithology, and assay data were uploaded to the Frances Creek drill hole database. Drill hole data was validated and checked against original logging sheets to ensure database integrity.
4.2 DEPOSIT SUMMARY

4.2.1 BERYL

The Beryl mineralisation appears to form a number of weak, small (3 metres x 1 metres), discontinuous hematitic outcrops north west of Jasmine. Historical drilling indicated these outcrops to have no down-dip extent or along strike connectivity at depth. However, field examination indicates that drilling was not ideally placed to test structural complexity north west of Jasmine Central. In part, this was because the complex structural nature of the Jasmine mineralisation bridging to Beryl was not well understood owing to difficult terrain and the main haul road to the Jasmine East open pit traversing the region of interest.

4.2.2 ELIZABETH MARION

The Elizabeth Marion mineralisation forms a relatively broad expanse of goethitic outcrop on an antiformal hinge closure. Despite a significant number of disparate drilling campaigns, drilling has successfully outlined the potential for significant low-grade mineralisation.

Geophysical interpretation has outlined several significant “gaps” in historical drilling, which was tested in the reporting period with Aircore drilling. Mineralisation was encountered, although mostly sub-economic. Additionally, Territory Resources conducted metallurgical testing with PQ diamond drilling to investigate the beneficiation characteristics of these “sub-economic” ores, now that the site has a Beneficiation Plant. This work was completed outside the reporting period and will be included in next year’s annual report.

4.2.3 HELENE 1

Helene 1 is the northern strike extension of Helene 2, and a number of outcrops can be observed both along strike and across dip. Drilling of a significant number of holes at the deposit has shown limited prospectivity for significant accumulations of economic iron mineralisation. Deeper holes have shown no development of thick structurally-controlled mineralisation associated with small scale faulting and folding seen in the other Helene deposits.

Priority geophysical targets have been identified in “gaps” north and south of the Helene 1 deposit and require further field investigation; no drilling occurred at this deposit in the reporting period.

4.2.4 HELENE 2

Helene 2 was previously mined out by Territory Resources Ltd to using the exhausted pit as a tailings storage facility. Drilling completed at this deposit in 2010. The pit is partially filled in with tailings.
4.2.5 HELENE 3

Helene 3 is a small tonnage, high-grade hematite ore body with an identified Mineral Resource and Ore Reserve inventory. The deposit is included in the mine schedule. As per Helene 2 discussion above, drilling completed at this deposit in 2010, and was remodeled in 2011 to form part of the ‘Helene 34’ deposit (discussed below).

Planned back-filling of Helene 3 did not occur within the reporting period.

4.2.6 HELENE 4

Helene 4 is a small, high grade remnant deposit that is presently completely filled with water to a depth of about 6m. It was estimated that high grade ore remained at the deposit from historical records. Mapping and geophysical interpretation and targeting indicated that the plunging shoot at Helene 4 may contain significant mineralisation, especially northwards towards Helene 3. The deposit lies on tenement ML26222; this was granted in December 2010.

As such, RC drilling took place in June 2011 to test the plunging shoot. The deposit has been remodeled and is now combined with Helene 3 to form ‘Helene 34’. The current JORC Compliant resource for the combined Helene 34 deposit is 540,000 tonnes at 57.6% Fe.

4.2.7 HELENE 5

Helene 5 is a large, high grade hematite deposit with a physical along-strike connection to the flag-ship Helene 6/7 deposit. Deeper mineralisation had been investigated at Helene 6/7; drilling at Helene 5 in 2011 targeted potentially deeper mineralisation also. These deeper, down-dip holes yielded significant increases in both the Mineral Resource and mineable Ore Reserve, allowing for a single ‘pan-handle’ shaped pit design to be developed. The deposit is included in the mine schedule.

4.2.8 HELENE 6/7

Helene 6/7 is a significant microplaty hematite ore body, and represents the flagship ore body of the operation, providing large amounts of high grade, low phosphorus mineralisation to blend with lower grade, higher phosphorus material from the smaller satellite ore bodies. The operation’s success has been highly reliant on the ongoing supply of Helene 6/7 ore materials.

The deposit is included in the mine schedule. Work is occurring in 2012, with further work planned to test deeper targets, especially the poorly targeted south west corner of the Resource.

The deposit has been remodeled and is now combined with Helene 5 to form ‘Helene 5/67’. The current JORC Compliant resource for the combined Helene 5/67 deposit is 4.51 Mt at 57.8% Fe.
4.2.9 HELENE 9

Helene 9 is located structurally south the Helene 6/7, and as with the deposits north of Helene 6/7, the quality and quantity of mineralisation drops away from the intense mineralisation at Helene 6/7. A number of holes were drilled historically along strike and down-dip, but no structural thickening was observed.

Extensional drilling occurred in the 2011 reporting period to determine the extent of mineralisation. This drilling intersected broad zones of low-grade mineralization beneath the pit ramp and resource definition drilling is planned for in early 2012.

4.2.10 HELENE 9/11

The “gap” between Helene 9 and Helene 11 has been largely undrilled and contains geophysical targets and other showings of mineralisation in haul road cuttings nearby. 32 RC holes were drilled into this area in the reporting period; analysis of the results is ongoing.

4.2.11 HELENE 11

Helene 11 is located north of the crusher pad, and has a well defined dolomitic footwall that may be a similar litho-stratigraphic unit to the Whites Formation seen at Rum Jungle.

The iron mineralisation is steeply dipping and underlain in places by a horizon of high grade manganese, probably due to the hydrothermal replacement of dolomite by manganese. Anomalous base metal levels were also recorded along the contact clearly indicated that metals had been mobilized from sulphide-rich black shales and precipitated out in karst cavities in the dolomite. The deposit is included in the mine schedule and contains a JORC Compliant Resource of 90,000 tonnes at 55.1% Fe.

4.2.12 HELENE 11 North

Helene 11 North is located within an anticlinal fold closure north of the Helene 11 pit. Drilling conducted during the reporting period indicated that iron mineralisation is patchy and discontinuous. Again the iron mineralisation is underlain by a horizon zone of elevated manganese associated with dolomite.

4.2.13 JASMINE

The ‘Jasmine Deposit’ now includes the previously known Jasmine Central, Jasmine, Jasmine East, Jasmine West and Jasmine Gully deposits, and is referred to as the Jasmine Prospect Area. Combined, it is a significant microplaty hematite deposit which had been mined by FIMCO in the early 1970’s, and drilled initially during 2007. Work completed in 2011 has further indicated a far more complex structural geology model for the entire Jasmine deposit that had been interpreted in the past. At the north end of the deposit, geology indicates a recumbent fold of high grade mineralisation effectively “lying on its side”, which has brought into question the direction and usefulness of the shallow depths of historical drilling.

The area between Jasmine Central-Jasmine West and Jasmine Central-Beryl received more focused drilling during the reporting period, with 63 RC holes being completed.

The deposit is included in the mine schedule and is a low-phosphorus Ore Reserve.
4.2.14 OCHRE HILL

Ochre Hill was historically drilled to investigate along-strike potential from the main ore body. This was demonstrated to be relatively weak, stringer surface mineralisation. Down-dip mineralisation was drilled to investigate the high phosphorus lower parts of the ore body, some of which was able to be blended in with lower phosphorus material from other deposits. Ochre Hill is now exhausted with no remaining mining Ore Reserve; however, the entire deposit area will be re-evaluated to determine any further prospectivity.

4.2.15 THELMA-ROSEMARY

Thelma-Rosemary was historically drilled to identify a theoretical fold-closure that may have resulted in additional mineralisation in the hanging wall of the current and final pits. No fold closure was identified, with the mineralisation dipping to the west and thinning with depth. The deposit is included in the mine schedule, although the identified mineralisation is not economic.

The region at the north west end of the Thelma-Rosemary system (informally known as Rosemary) will be targeted in 2011. A non-JORC compliant target of ~750,000 tonnes has been identified here and just requires drilling to prove up the Resource with confidence.

No further work is required on the Thelma 1 deposit; however, it now sits squarely on the upcoming mine schedule after being modeled and optimised for the first time during 2010.

The historical Thelma 2 area will be targeted at depth in 2011, once a suitable RC track-mounted rig can be sourced to traverse the difficult terrain south west of this pit. Significant iron ore grades were identified below this pit by FIMCO and the projected plunge position for high grade shoot ores has not been tested at all.

4.2.16 SADDLES 1 and 2

Saddles 1 and 2 deposits are a series of goethitic outcrops between Ochre Hill and Saddles Extended (on EL22856). Previous shallow drilling showed the mineralisation to be weak surface enrichment that did not extend to any appreciable depth.

Generally, this area has not had the focus of the near mine deposits in the past and it has yet to be determined whether historical drilling can be considered effective, given differing views on the structural complexity of the region now, compared to the recent past.

Geological mapping and systematic deeper RC drilling was completed at Saddle 1 in 2011. Drilling at Saddles 1 has shown surface enrichment is associated with near-surface leaching of iron carbonates at depth.

Drilling of Saddles 2 is planned in Late 2012.
4.2.17 SADDLES EAST

Saddles East is a small high phosphorus microplaty hematite deposit north of Ochre Hill. Previous drilling had mostly been open hole percussion. Selected areas were historically re-drilled with the reverse circulation drill rig to improve confidence in the Resource. The deposit will be included in future mine schedules, although a significant geological review of any remaining potential is required first. The area will be mapped and geologically reconnoitered.

Geological mapping and surface sampling in the area located between Saddles East and Saddles Extended indicated potential for blind mineralisation. An Aircore drilling programme consisting of 7 holes was completed in the reporting period over this zone, but failed to intersect significant iron enrichment.
4.3 RESOURCE MODELLING

Mineral Resource models were updated by Territory Resources Limited personnel for several Frances Creek deposits in 2011. Helene 5 and Helene 6/7 were re-estimated as a single “Helene 5/6/7” model, Helene 3 and Helene 4 into “Helene 34”. This was done as part of ongoing resource evaluation and upgrade for the Mineral Resource portfolio at Frances Creek.

The grade and tonnages for the new resource models are detailed below in Table 4. The modelling process involved generating a 3D wire-framed mineralisation and lithology models which were then interpolated using inverse distance squared. A variety of interpolation search orientations were used to suit the varied mineralization and geological trends. A cut off grade of 45% Fe is used for: Helene 34, Helene 5/6/7, Helene 11, Jasmine and Thelma 01 deposits. A cut off of 50% Fe is used for Ochre Hill, Saddles East and Thelma-Rosemary deposits. Total Indicated & Inferred Mineral Resource Inventory at the Frances Creek Mine as at 30th September 2011 was 12.08 Mt @ 56.4% Fe (note this excludes the Millers Deposit - 1.28 Mt at 53.2% Fe, which is on pending Mineral Lease 26429).

![Table 4](image)

Table 5: Frances Creek Mine Mineral Resource Inventory as at 30th September 2011

Table 5 (below) shows the updated Frances Creek Mine Ore Reserve Inventory as at 30th September 2011. These figures were generated using improved economic open pit optimisation factors and are reported at a lower cut off grade of 45% Fe, except for Thelma-Rosemary which has a cut-off grade at 50% Fe. Total Probable Ore Reserve Inventory at the Frances Creek Mine (all deposits are located on the tenements being reported in this Annual report) as at 30th September 2011 was 5.55 Mt @ 56.3% Fe.

This effectively extends the Frances Creek Mine life out to October 2014, with the likelihood of future Ore Reserve increases as infill and extensional RC drilling programmes are undertaken within the Company’s Mining Leases. Additionally, regional exploration drilling programmes north of the Frances Creek Mine (generally on Exploration Leases) will accelerate in 2012, with the potential to further increase Mineral Resources and Ore Reserves.
The Company has set up a beneficiation plant at the Frances Creek Mine, with present sub-economic iron ore deposits upgradable to a saleable, shippable product, which further extends the life of mine.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Probable Ore Reserves</th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>Fe %</td>
<td>P %</td>
<td>SiO₂ %</td>
</tr>
<tr>
<td>Helene 3/4</td>
<td>106,833</td>
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<td>0.11</td>
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<tr>
<td>Helene 5/6/7</td>
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<td>10.4</td>
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<td>Helene 11</td>
<td>10,792</td>
<td>58.5</td>
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<tr>
<td>Jasmine*</td>
<td>1,165,842</td>
<td>57.5</td>
<td>0.08</td>
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<td>Thelma-Rosemary</td>
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<td>59.2</td>
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<td>Thelma 1</td>
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<td>Stockpiles</td>
<td>1,137,869</td>
<td>51.7</td>
<td>0.13</td>
<td>14.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,546,668</strong></td>
<td><strong>56.3</strong></td>
<td><strong>0.10</strong></td>
<td><strong>11.1</strong></td>
</tr>
</tbody>
</table>

Note 1. Head Grades shown
Note 2. Reporting Cut-Off Grade of 45% Fe except for Thelma-Rosemary at 50% Fe.

Table 6: Frances Creek Mine Ore Reserve Inventory as at 30th September 2011

5. PROPOSED EXPLORATION ACTIVITIES – YEAR 5

Mineral Resource development and Ore Reserve definition in support of continued open pit mining activities at Frances Creek will require ongoing geological mapping, infill drilling, and geotechnical work during the upcoming 2011-12 reporting year.

Significant budgets have been allocated by Territory Resources Limited to ensure mine longevity at Frances Creek, particularly during the present period of high demand and hence prices for lump and fines iron ore products for export to Asia.

There is considered high potential for the discovery of significant ore body positions or extensions within the tenements comprising the Frances Creek reporting group.

The Company will continue to complete detailed geological mapping and surface sampling over structurally complex regions of the Frances Creek deposits, as new interpretations have clearly shown that lack of ironstone outcrop at surface does not negate potential and in fact, many of the higher grade shoots identified have plunge components that have been poorly targeted by drilling programmes in the recent past.
APPENDIX 1: NT DOR Text Files (includes Verification List)