EL 22440

8th Annual Report for Exploration Licence 22440
Period ending 26 February, 2012.

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Date:	27 March 2012
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Mapsheet Location:	
250k	Mt Evelyn, SD53-05
100k	Ranford Hill, 5370
Coordinate System:	MGA Zone 53
Target Commodities:	Iron ore, precious metals, base metals.
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SUMMARY

Exploration licence 22440, originally consisting of 25 graticular blocks was granted on the 27th February, 2004. Relinquishments have reduced the area to the current 11 blocks. The licence encompasses the abandoned McCarthy's silver-lead mine and several historical prospect areas bearing variations of that name. Early Proterozoic metasediments of the Mt Partridge, South Alligator and Finnis River Groups are exposed by asymmetrical folds along north-westerly trending axes that are abruptly truncated by the McCarthy Granite of the Cullen Batholith. Mineralisation styles being investigated are consistent with types known throughout the Pine Creek Orogen with a particular focus on copper, lead, zinc, silver and gold. At the end of the last active phase of consolidated exploration in 1995 it was concluded that the area remained prospective for base & precious metals. More recently the iron ore potential of the area has also been noted. Historical exploration has pursued extensive surface sampling and some limited drilling and costeaning. The current exploration methodology has extensively used various geophysical techniques and some targeted rock-chip sampling programs to define prospective areas. Access issues due to the existence of a large sacred site continue to hold back exploration progress due to a "no-access" restriction, however negotiated agreements are slowly facilitating limited exploration works. Drilling of a limited area of high-grade hematite outcrops by Territory Iron Pty Ltd, under an exploration agreement, confirmed the mineralisation is similar to that found at the Frances Creek Iron Ore Project where mineralisation is restricted to a relatively narrow brecciated zone that runs above and sub-parallel to the Lower Wildman Formation footwall. The majority of drilling only intersected thin bands of moderate grade Fe with best intersections including 6m at 60.4%Fe, and 5m at 58.1%Fe. Detailed geological mapping in conjunction with some drilling results defined a complex structural setting for the mineralisation which is still not fully understood. Additional access clearances will be required to enable further exploration activities including mapping, sampling, geophysics and drilling of additional haematite mineralisation and previously defined base and precious metal targets. Rehabilitation works were carried out across the majority of the drill pads and tracks with the exception of several that are required to complete planned diamond core bulk sample drilling. Additional samples from the drill chip spoil were taken for base-metal suite multi-element and gold geochemical analysis. Results identified highly anomalous Zn in one of the sampled 1m intervals and 2.3 g/t silver from another 1m interval however gold results were negative. The Aboriginal Areas Protection Authority are currently assessing an Authority Certificate application based on a negotiated access agreement with the Traditional Owners that facilitates land access and exploration activities across the remaining AAPA declared "no access" areas of the lease. The outcome of this application is currently awaited.

INTRODUCTION

At the end of the last active phase of consolidated exploration in 1995 the conclusion was reached that the base and precious metal potential of the McCarthys area has not been fully tested. Additionally, the potential for iron ore deposits had not been investigated in any meaningful way.

Impetus to re-evaluate the prospectivity of the area for base metals, precious metals and iron ore stemmed from this conclusion, together with that lack of exploration since 1995 and the upward trend over the past decade of relevant metal prices.

Current market demand for all metals is on a continuing upward trend, due predominantly to the relatively recent emergence of the Asian countries, particularly China, as major players in the world economy. Rapid industrialisation of these countries is underpinning the demand for raw products and prices have risen accordingly. This can be clearly seen in the historical price charts (Figure 1) with a ten-fold increase of many metal prices between 2003 and now. This upward price surge peaked, plateaued then dipped in 2011.

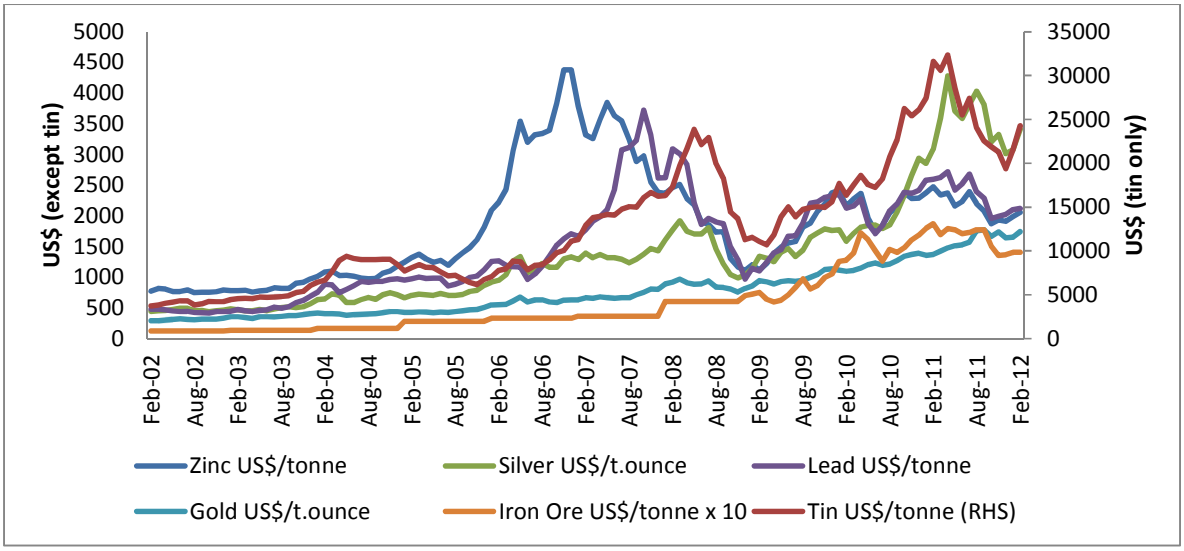


Figure 1 – Historical metals price chart; 2002 to current (source: indexmundi)

1 CONCLUSIONS AND RECOMMENDATIONS

Prospectivity of EL 22440 for base & precious metals remains high with numerous targets requiring drill testing already identified.

Drilling programs for base and precious metal targets that have been designed, costed, financed and proposed for a number of years remain on hold while access issues are resolved. Limited base metal analyses of drill spoil from the Territory drill program returned some elevated values whilst gold analyses were negative.

Territory Iron Pty Ltd maintains iron ore exploration rights across the tenement and remains committed to pursuing a comprehensive exploration program. Rehabilitation of extraneous drill pads was completed and monitoring commenced.

Expenditure for year 2 of the 2 year renewal was not met due to the access restrictions. An application for a further two year renewal of EL 22440 was submitted.

Year 9 work recommendations are given in section 8 and are centred on gaining further access clearances to enable a combination of both low and high disturbance exploration activities throughout the lease.

2 LOCATION AND TENURE

Exploration Licence 22440 falls within Pastoral Lease No. 1134, Mary River Cattle Station, and is located 30 kilometres east-north-east of Pine Creek, within the Cullen Mineral Field. It is located on the Ranford Hill 1:100,000 map sheet, and the Moline and Wandie 1:50,000 map sheets. Access is via the Stuart Highway to Pine Creek and then via the Kakadu Highway and along station tracks (Figure 2). These tracks are only accessible by 4x4 vehicles in the dry season.

The tenement, consisting of 11 graticule blocks, 36.7 square kilometres in area, lies between latitudes 13°42' south and 13°48' south and longitudes 132°02' east and 132°08' east. EL 22440 was granted on the 27 of February, 2004 for a period of six years. Reductions were made after years 1 and 2, followed by reduction deferrals after years 3 and 4 than a final reduction in year 6.

A 2 year renewal application was submitted on the 24th February 2012.

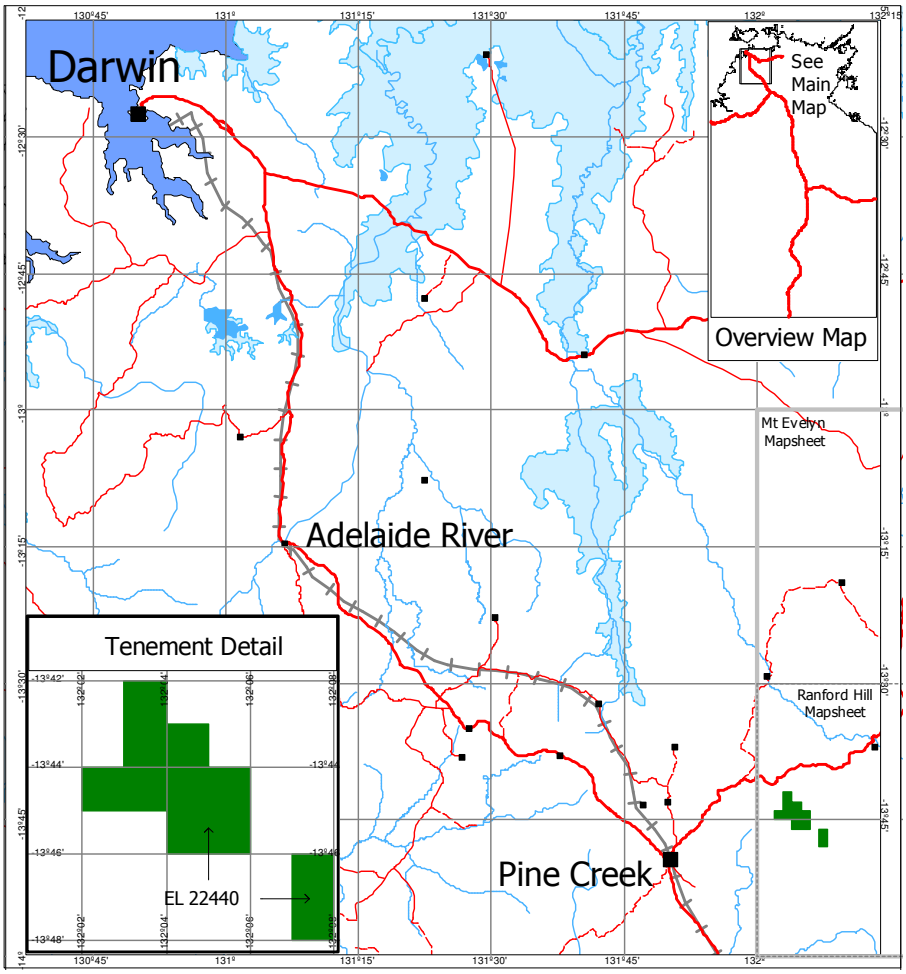


Figure 2 – EL 2240 Location Diagram

3 REGIONAL GEOLOGY

Exploration Licence 22440 is located near the centre of the Pine Creek Geosyncline with Early Proterozoic metasediments of the Mt Partridge, South Alligator and Finnis River Groups exposed in the area.

Within the southern portion of the licence, the Cullen Batholith outcrops and is comprised of the McCarthy's Granite, which is a coarse grained porphyritic hornblende biotite rock. The granite is generally well exposed in the area and forms low undulating hills, well incised by numerous perennial streams. The intrusive contact with the sedimentary rocks to the north is often marked by a zone of quartz, pegmatite and aplite veining, rafts of sedimentary rocks within the granite and slivers of granite within the sedimentary rock pile.

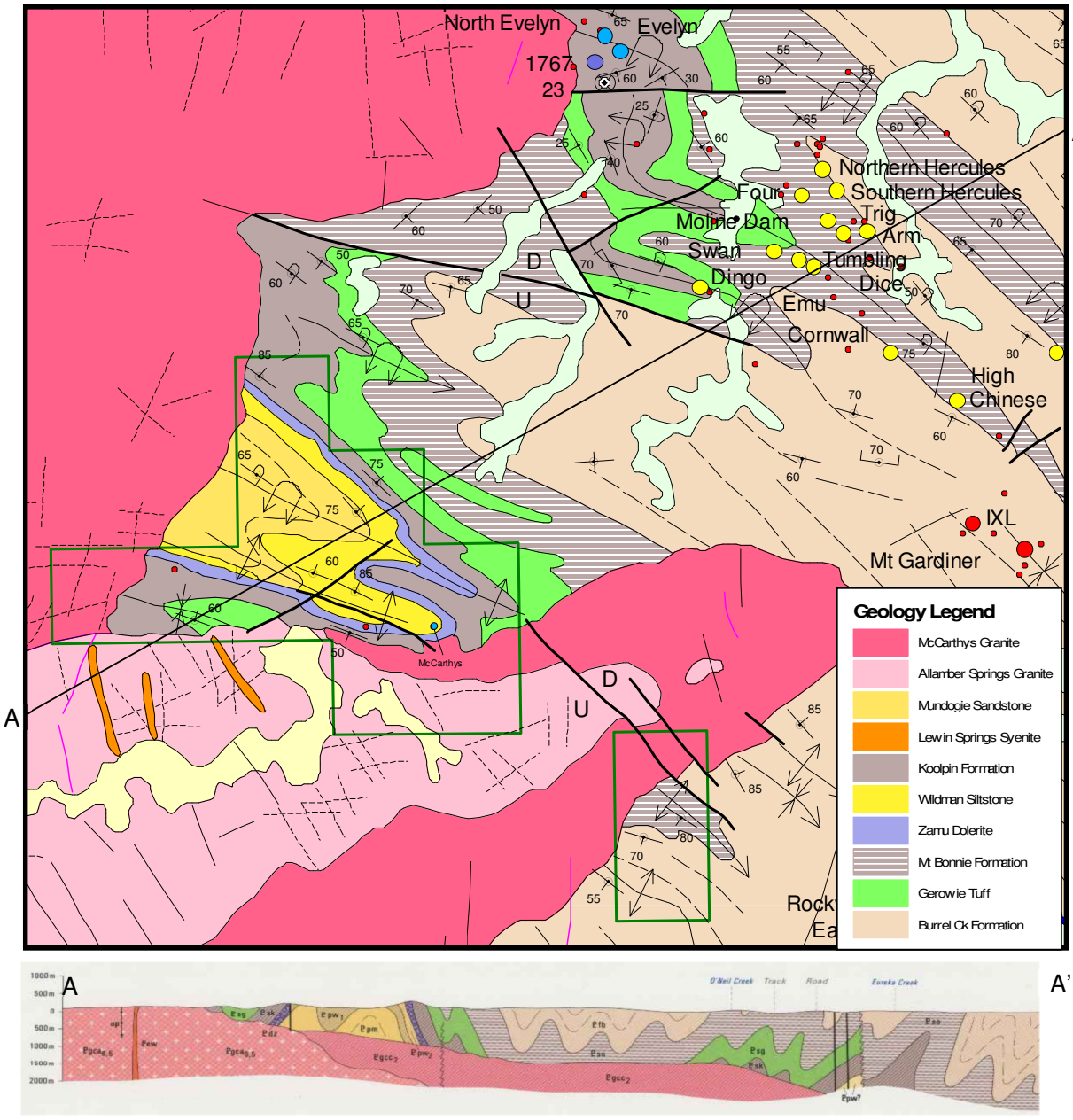


Figure 3 – Regional Geology (from NTGS 1:250k Mt Evelyn Geology Map, 2004). Cross section from NTGS/BMR 1:100k Ranford Hill Geology Map, 1986.

Directly north of the granite contact, the Early Proterozoic sedimentary sequences of the Mt Partridge, South Alligator and Finnis River Groups have been folded into an asymmetrical sequence along a north-westerly trending axis: Two anticlines, called the McCarthy's and Spider Anticline, form the prominent features within this folded sequence. These anticlines expose Mundogie Sandstone in the core and Wildman Siltstone and Koolpin Formation along the limbs of the structure. Further to the north, the folding exposes stratigraphically higher units of the South Alligator and Finnis River Groups (Figure 3)

4 LOCAL GEOLOGY

Descriptions of the lithological units occurring within EL 22440 have been provided in previous annual reports. The lithologies are related stratigraphically as shown in Figure 4.

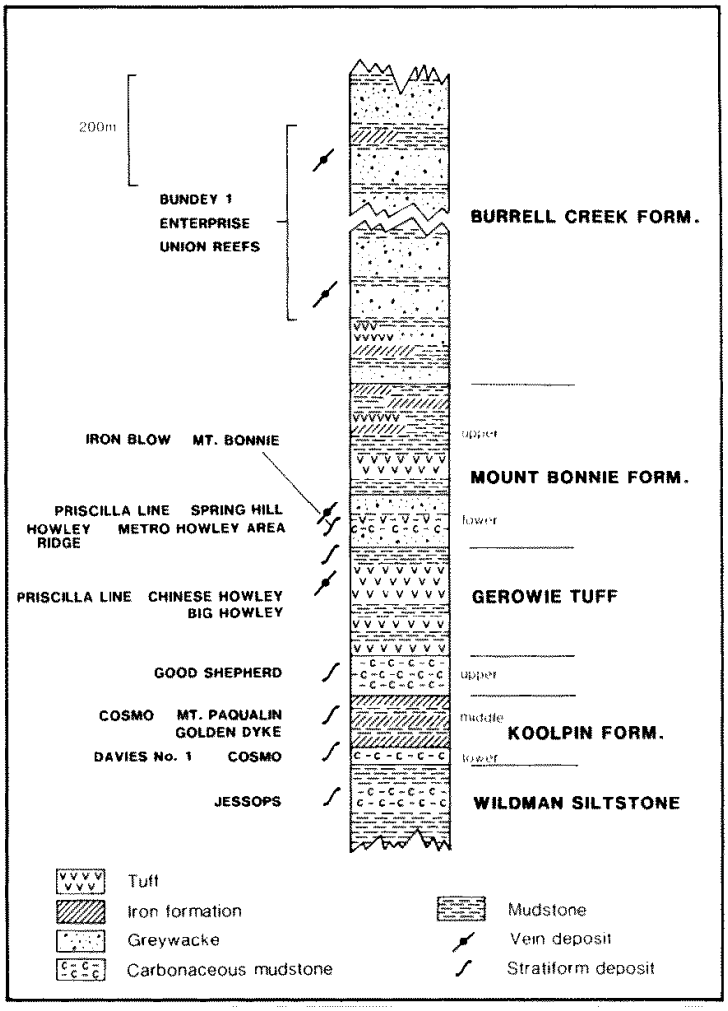


Figure 4 – Stratigraphy and Mineralisation (Nicholson & Eupene, 1984)

5 MINERALISATION POTENTIAL

Target mineralisation styles include sulphide hosted gold and base metal deposits associated with the tightly folded and sometimes overturned and sheared anticlinal structures.

In addition, the characteristics of the area are completely analogous to the Frances Creek Iron Field and the opportunity for a crystalline hematite deposits within the Wildman siltstone is being extensively investigated.

Other potential mineralisation styles being investigated include Tin and Tin-tantalum in Sn quartz or sulphide veins and Sn-Ta pegmatites within the metamorphic aureole of the granite. Silver as an associated metal in the Pb-Zn systems is also likely.

The mineralisation potential has been described more fully in previous annual reports.

6 PREVIOUS EXPLORATION

A detailed description of previous explorer's activities in this area is provided in the second annual report for EL 22440 (McCoy, 2006).

7 WORK COMPLETED

Summaries of work completed for each year of the current tenure are provided below.

7.1 Year 1 - Data Compilation

Reports from previous mapping and exploration work conducted throughout the area since 1919 were reviewed. Geological, sampling geochemistry and drilling data was assimilated to reconstitute previously identified anomalous zones and identify other lower tenor anomalies. A review of historical NTGS regional airborne magnetic survey data was carried out and highlighted several areas giving rise to intense magnetic anomalies.

7.2 Year 2 – Magnetics and Radiometric Surveys

An ultra-detailed airborne magnetic and radiometric survey was flown over the most prospective portion of the tenement based on previous competitor sampling results and historic aeromagnetic data. The results of the survey show several high amplitude magnetic anomalies occurring within the Koolpin Formation or at the Zamu/Koolpin contact within the fold nose and flanks of the steeply dipping or overturned Spider and McCarthys anticlines. These magnetic features may represent massive sulphide (pyrrhotite) lenses prospective for precious and base metals. Linear north to north west trending magnetically suppressed zones transecting the Wildman Siltstone near the granite contact may be analogues to the shear zone that hosts the McCarthys Pb mineralisation.

7.3 Year 3 – Geophysical Interpretation and Satellite Imagery

Data from the historic reports continued to be incorporated into the project GIS to facilitate ready comparison with newly acquired information. Interpretation focussed on the magnetic and radiometric survey data with particular emphasis on the development of geologically realistic models of the source bodies responsible for the intense magnetic features proximal to the Spider Anticline. The results indicated probable pyrrhotite lenses at depth of 80m below the surface that are tightly constrained to the hinge zones of two overturned isoclinal folds making the target analogous to the likes of other gold and polymetallic deposits of the district. Additonal high resolution and spectral satellite imagery were acquired to assist with further mapping and field-work activities. The process of obtaining sacred site clearances for proposed drilling areas commenced.

7.4 Year 4 – Geophysical Surveys, Access Recon & Clearances

Notification from the AAPA regarding the existence of a possible sacred site redirected efforts back to completing additional non-intrusive work whilst an Authority Certificate was in application. Additional coverage of the EL with airborne magnetics and radiometrics was completed and a heli-borne EM survey flown over the most prospective portion of the lease to highlight conductive features.

7.5 Year 5 – Geological Mapping and Sampling

The AAPA provided an Authority Certificate with a "no significant disturbance" restriction across the entire EL. As a consequence the work program reverted to minimally invasive techniques by focussing on further interpretation of the geophysical datasets, in particular the EM data, and conducting geological mapping and rock sampling of the prospective Iron Ore targets. Results of the work showed that the modelled magnetic features were also conductive and that the sampled section of the Frances Creek beds showed good iron levels of around 60% with low-order gangue mineralogy.

7.6 Year 6 – Mapping, Sampling and Interpretation, Clearances.

Conditions of the Authority Certificate remained in force for the year while an application for variation was being processed by the AAPA. The work program focussed on completing the geological mapping and rock sampling of the prospective Iron Ore targets. Results of the work showed that the main outcropping part of the horizon occupied a complex structural zone near the nose of a syncline. Assays of this zone showed good iron levels of better than 60% with low-order gangue mineralogy. Additional geophysical data processing and interpretation was completed and assisted with target prioritisation. Preliminary commercial discussions were held in respect of the Iron Ore potential of the lease with interested parties.

7.7 Year 7 – Clearances, Geological Mapping, Sampling & Drilling

The AAPA completed its assessment of the application lodged during year 6 and imparted further restrictions by declaring the highly prospective 60% of the lease covered by the sacred site as "no access" whatsoever and leaving the remaining less prospective 40% as "no significant disturbance". Subsequently, and independent of the AAPA, the tenement holders entered into agreements with the traditional owners and Territory Iron Pty Ltd to facilitate land access and exploration activities. On the basis of the agreements, another variation application was made to the AAPA to enable Territory to conduct a prescribed drilling program over a limited 26 Ha area. The AAPA eventually issued a revised Authority Certificate permitting the prescribed works to take place but all other existing conditions remained in force.

Following extensive cultural heritage clearance surveys, geological mapping, rock-chip sampling and RC drill programs were conducted to define the extent and characteristics of previously identified high-grade hematite reefs within the Wildman Siltstone. A total of 31 reverse circulation drill holes were completed for a total of 2,610 metres along an 800m strike length of outcropping reefs to determine the significance of the mineralisation. Geological logging of the drill chips together with XRF analysis of 754 drill samples confirmed that the mineralisation is similar to that found at the Frances Creek Iron Ore Project where mineralisation is restricted to a relatively narrow brecciated zone that runs above and sub-parallel to the Lower Wildman Formation footwall. The majority of drilling only intersected thin bands of moderate grade Fe with best intersections including 6m at 60.4%Fe, 0.03%P and 5m at 58.1%Fe, 0.02%P. Detailed geological mapping at 1:1000 scale and 46 rock-chip samples taken across the area cleared for

access in conjunction with some drilling results defined a complex structural setting for the mineralisation which is still not fully understood and required further investigation.

Under the permitted works authorisation and agreements no other work could be conducted so the holes were capped and the drill pads cleared and prepared for rehabilitation.

7.8 Current Year 8 – Clearances, Sampling, Rehabilitation.

7.8.1 Clearances

Preliminary discussions were held between the parties regarding future proposed exploration programs. Then in August 2011 the tenement holders and Territory engaged in negotiations with the Traditional Owners and sacred site custodians at a specially convened conference meeting held in Pine Creek and by late November had entered into an exploration access agreement providing for supervised and controlled access across a larger portion of the prospective sacred site area. This agreement formed the basis for a variation application to the current Authority Certificate which was lodged with the AAPA in December 2011. AAPA advised the applicants in February 2012 that assessment of the application would likely be completed in May 2012.

7.8.2 Sampling

Additional samples of spoil were taken from holes in which abundant black shales were identified and in which visible sulphides were logged. These samples were sent to ALS Laboratories in Brisbane for assay by ICP-MS for a standard base metal element suite and gold. Analytes measured included: Ag, Al, As, Ba, Be, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sr, Th, Ti, Tl, U, V, W and Zn.

Results were generally of low tenor with one sample returning elevated Zn of 0.2% and another returning 2.3g/t of silver. No other anomalous results were evident.

7.8.3 Rehabilitation

Territory's initial rehabilitation of the drill sites consisted of capping the PVC hole collars with concrete plugs and the removal of all waste including sample bags. A site visit in July 2011 found the McCarthy Hill site to be in generally good condition and the initial rehabilitation to have been conducted. A plan was formed to complete rehabilitation of 11 drill sites and associated access as per Figure 5. Other drill pads were not approved for complete rehabilitation pending possible diamond core drilling for the purpose of obtaining samples for metallurgical test work.

In August, the PVC collars were cut for holes on those pads being retained for possible diamond drilling. In November, the access track into McCarthy Hill was graded, and re-contouring of drill pads and access tracks no longer required was completed using an excavator and grader. The rehabilitation status of all holes is shown in the table below.

Hole_ID	Drilling Finished	Rehabilitation Status
MHRC001	20-Nov-10	Collar cut, capped & buried
MHRC002	21-Nov-10	Collar cut, capped & buried
MHRC003	21-Nov-10	Retained as possible diamond drill site
MHRC004	21-Nov-10	Collar cut, capped & buried
MHRC005	22-Nov-10	Retained as possible diamond drill site
MHRC006	22-Nov-10	Pad & access re-contoured – Zone C
MHRC007	23-Nov-10	Pad & access re-contoured – Zone C
MHRC008	24-Nov-10	Retained as possible diamond drill site
MHRC009	25-Nov-10	Pad & access re-contoured – Zone C
MHRC010	26-Nov-10	Pad & access re-contoured – Zone C
MHRC011	26-Nov-10	Retained as possible diamond drill site

Hole_ID	Drilling Finished	Rehabilitation Status
MHRC017	1-Dec-10	Retained as possible diamond drill site
MHRC018	1-Dec-10	Collar cut, capped & buried
MHRC019	2-Dec-10	Pad & access re-contoured – Zone A
MHRC020	2-Dec-10	Pad & access re-contoured – Zone A
MHRC021	2-Dec-10	Retained as possible diamond drill site
MHRC022	3-Dec-10	Pad & access re-contoured – Zone A
MHRC023	3-Dec-10	Pad & access re-contoured – Zone A
MHRC024	5-Dec-10	Pad & access re-contoured – Zone A
MHRC025	5-Dec-10	Pad & access re-contoured – Zone A
MHRC026	8-Dec-10	Pad & access re-contoured – Zone A
MHRC027	8-Dec-10	Pad & access re-contoured – Zone A

MHRC012	27-Nov-10	Pad & access re-contoured – Zone B
MHRC013	28-Nov-10	Pad & access re-contoured – Zone B
MHRC014	28-Nov-10	Pad & access re-contoured – Zone B
MHRC015	30-Nov-10	Pad & access re-contoured – Zone B
MHRC016	30-Nov-10	Collar cut, capped & buried

MHRC028	9-Dec-10	Pad & access re-contoured – Zone A
MHRC029	10-Dec-10	Pad & access re-contoured – Zone A
MHRC030	11-Dec-10	Retained as possible diamond drill site
MHRC031	11-Dec-10	Retained as possible diamond drill site

In January, seeding was conducted over the areas that had been re-contoured. The seed mix was composed of predominantly local shrubs and trees consistent with the surrounding vegetation. During site visits in both July 2011 and January 2012 it was observed that a level of natural revegetation of the disturbed ground had already started.

With access to McCarthy Hill difficult during the wet season, monitoring transects will be established in the rehabilitated zones of the site during the beginning of the dry season. This will enable ongoing erosion and revegetation monitoring in accordance with the McCarthy Hill Rehabilitation Plan. Full details of the rehabilitation work are presented as a report in Appendix 1.

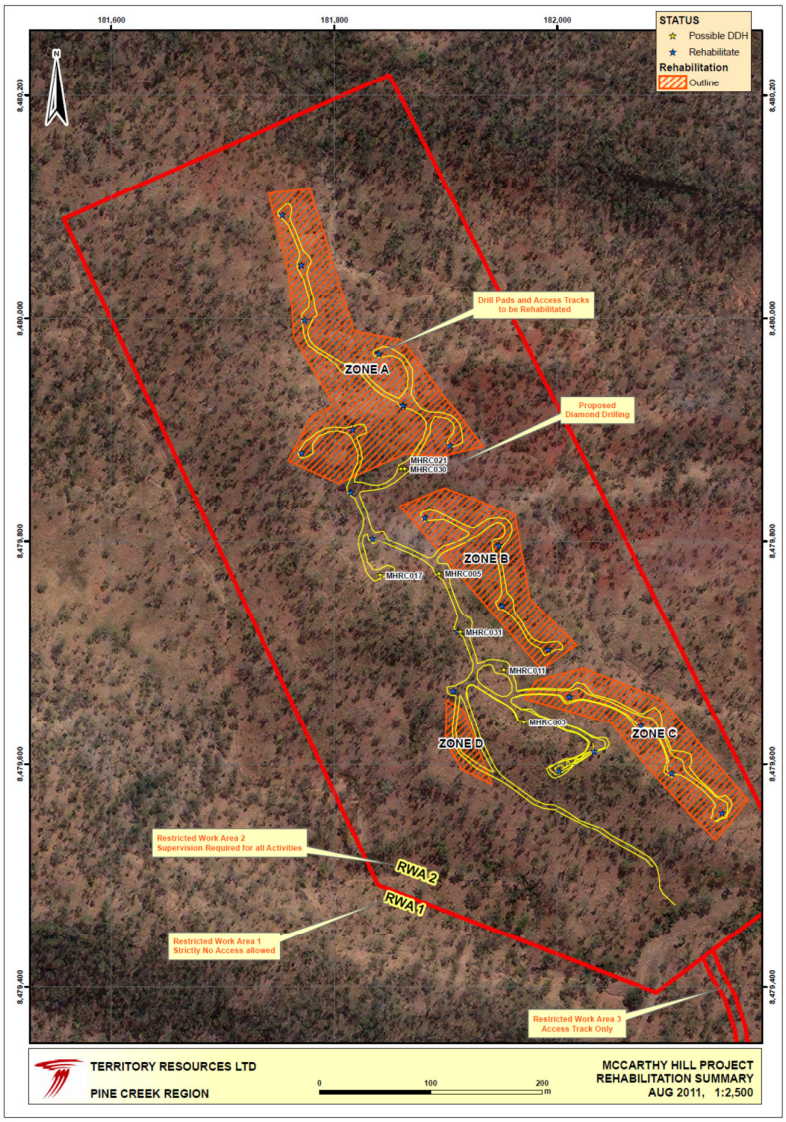


Figure 5 – Planned full rehabilitation zones and residual pads for proposed additional drilling.

8 PROPOSED PROGRAM FOR YEAR 9

Rehabilitation

As required under the Mining Act, the terms of grant of licence, any requirements imposed by a Mining Authorisation and best-practice exploration process, ongoing rehabilitation of areas of significant disturbance will be carried out as and when required in accordance with the guidelines. Monitoring transects will be established in the rehabilitated zones to enable ongoing erosion and revegetation monitoring in accordance with the McCarthy Hill Rehabilitation Plan.

AAPA Clearances

AAPA's assessment of the application for variation to the current Authority Certificate (lodged in December 2011) is expected to be completed by May 2012 and meetings with the sacred site custodians and AAPA may be required during the assessment process. If the application is successful then the new restricted works area (as was agreed with the Traditional Owners and Territory and shown in Figure 6) will potentially be accessible for exploration activities including drilling.

NOTE: All the proposed exploration activities described in this section are contingent on the conditions imposed by any newly issued Authority Certificate. Should AAPA refuse to issue a new Authority Certificate then only the rehabilitation works described above can be undertaken within the restricted works area and only low impact work elsewhere in the lease.

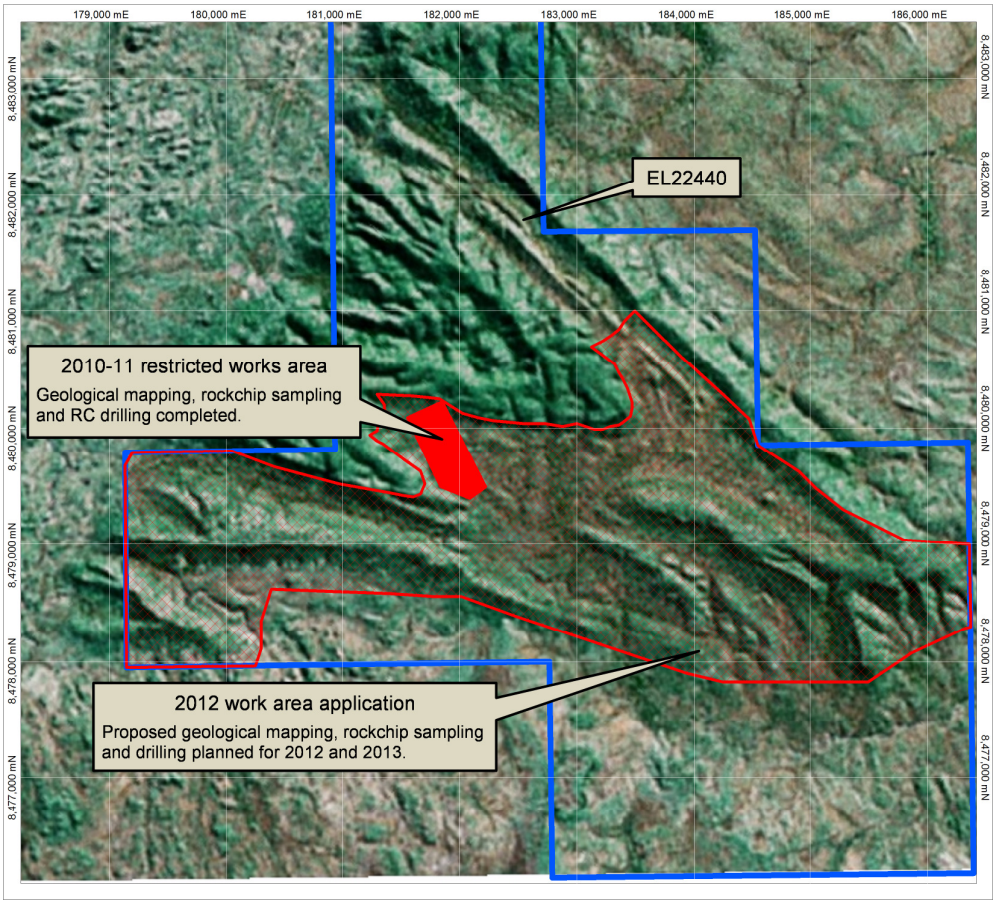


Figure 6 – Current restricted works area 2 (solid red) and new clearance area sought (hatchured)

Mine Management Plan

As per the requirements of the Mineral Titles Act, a mine management plan will be developed prior-to and commensurate with the types of significant disturbance activities proposed to be carried out on the lease during year 9. Presently a MMP, with Territory as operator, is in place for the area where significant disturbance has already occurred.

Geological Mapping

Reconnaissance mapping work will be conducted throughout the remaining accessible areas of Wildman Siltstone to identify areas with well-developed haematite reefs for sampling work. Priority base & precious metal target areas will be subject to detailed mapping work at 1:1000 scale or finer as appropriate to facilitate construction of the geometries, structures and mineralogy of the local geology.

Geochemical Sampling

Additional, carefully collected, stream-sediment, soil and rock-chip samples will be obtained from areas that have been identified as potentially geochemically anomalous but remain unexplained and from areas that stem from or surround the locality of anomalous geophysical features or structurally important areas. Assays will be carried out for precious metals, the base metal suite and iron ore minerals as appropriate. Assay results will be used to prioritise targets for drill testing.

Drilling

Drilling of 3 holes for 270m (90m of PQ3 diamond, 180m of RC precollar) is planned from within the 2010 RC drillout area (Figure 6) for the collection of bulk sample iron ore materials required for further metallurgical testing.

A program of percussion and core drilling, with associated geological logging and assay analysis will be conducted to test for base & precious metal mineralisation potentially associated with some geophysical anomalies (Figure 7). At present, five holes as listed in the table below are planned to test 4 of the primary geophysical targets in this lease. Maximum weathering depth through this area has been estimated at between 80 and 120m. Consequently a combination of RC pre-collar to between 80m and 100m will be necessary followed by a NQ diamond tail to EOH.

Hole	E_MGA53	N_MGA53	Dip	Azimuth	Depth
1	185734	8478302	60	250	300
2	185827	8478466	60	15	400
3	186059	8478544	60	0	300
4	182653	8478952	60	50	200
5	183838	8479998	60	0	200

Access & drill pad preparation earthworks will be required to support the drill program and rehabilitation work.

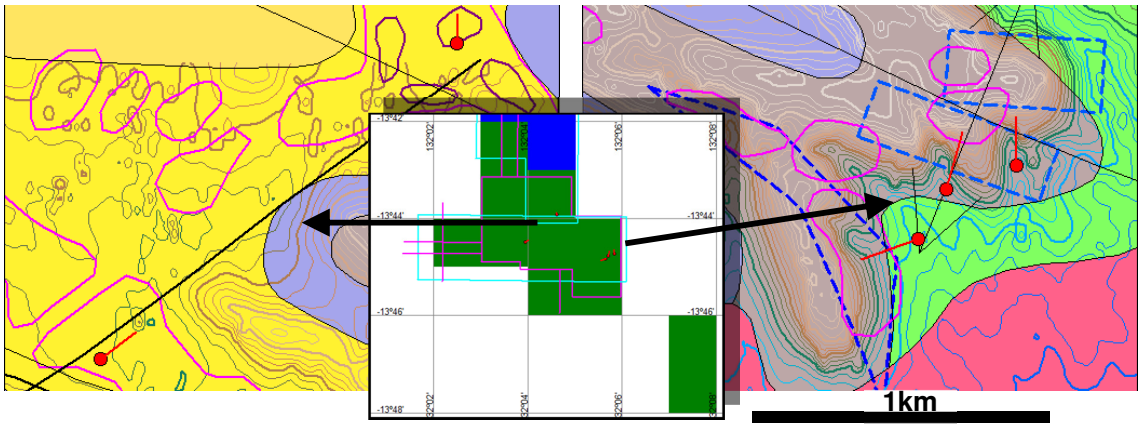


Figure 7 – Base & precious metal planned drilling locations (red dot = collar, red line = drill trace)

Database Compilation

Work will continue on compiling all surface geochemical sample results and geological mapping from previous exploration into a database/GIS system to facilitate more interactive analysis of the data. Once in a database form, various statistical manipulations can be performed to uncover important trends and correlations in the data. This work has been, and will continue to be deferred until the land access issues have been resolved.

Geophysics

To further evaluate the area for additional, potentially concealed iron ore mineralisation, detailed ground gravity geophysical work may be conducted. This method will have the objective of assisting with defining the volume of any iron ore mineralisation and helping to optimise the location of drilling to test the targets.

Ground electrical surveys over selected conductive features are also being considered for further refinement of base/precious metal targets identified from the airborne geophysical surveys.

Computer Modelling

Additional work will be required to model magnetic or gravity anomalies as new information becomes available, particularly following any drilling activities. Resource modelling work may also be necessary.

Commercial

The target minerals exploration agreement with Territory Iron P/L would continue to be effective throughout the 2nd renewal period. Once the tenement holders have completed their initial drilling program, consideration may be given to entering discussions with interested parties in relation to the base and precious metal exploration potential of the area.

REFERENCES

McCoy, A.D., 2006. Second Annual Report for Exploration Licence 22440. Period ending February 26, 2006. Report for Northern Territory Department of Mines and Energy.

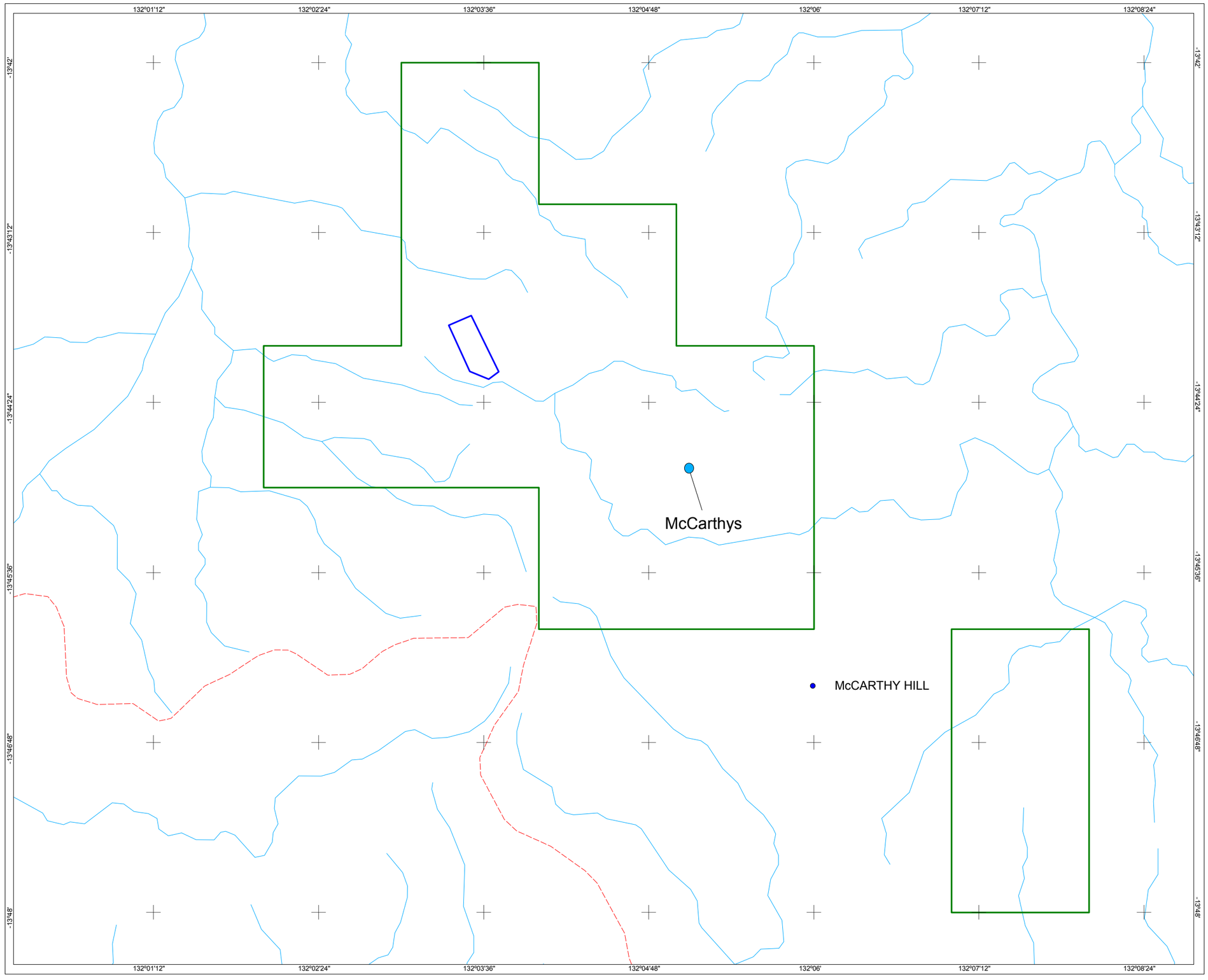
Nicholson, P.M. & Eupene, G.S., 1984. Controls on gold mineralisation in the Pine Creek Geosyncline. In *Proceedings of Australasian Institute of Mining and Metallurgy Conference, Darwin, NT 1984*, pp 377-396. Aust. Inst. Mining Metall., Parkville

Stuart-Smith, P.G., Bagas, L. & Needham, R.S., 1988. Ranford Hill 1:100,000 Geological Map Commentary. Bureau of Mineral Resources and NT Department of Mines and Energy Map Commentary.

APPENDIX 1

Rehabilitation Report

(see EL22440_2012_A_02_Appendix1.pdf)



Tenement Outline (EL22440)

Geochemical Drill Sampling

McCarthys Pb Mine

N

0 1,500 3,000

metres

Projection: Geodetic
Datum: GDA94

EL22440 Year 8 Annual Report

EL22440
Exploration Index
Year 8

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Date	24-3-2012	