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<td>Frances Creek</td>
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<td>Tenement EL22270: Annual Report for the Period 25th February 2012 to 9th July 2012 &amp; Final Surrender Report for the Period 10th July 2002 to 9th July 2012</td>
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TERRITORY RESOURCES LIMITED
A.C.N. 100 552 118

TENEMENT EL22270
ANNUAL REPORT
For the Period
25th February 2012 to 9th July 2012
&
FINAL SURRENDER REPORT
For The Period
10th July 2002 to 9th July 2012

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

A. Burgess
September 2012
SUMMARY

This Final Surrender Report summarises work completed for tenement EL22270 at the Frances Creek Project for the period from grant on 10th July 2002 to expiry of the tenement on 9th July 2012.

This Annual Report summarises work completed for the period 25th February 2012 to 9th July 2012. The most recent Annual report for EL22270 was completed in April 2012 under the title “Combined Annual Report for the Period 25th February 2011 to 24th February 2012, covering Exploration Tenements MA389, EL10137, and EL22270” (Burgess, 2012).

The tenement has been partially covered by granted Mineral Leases since April 2007; on the 26th September 2011, ML 27228 was granted, resulting in EL22270 being covered in its entirety by Mineral Leases. As such, no work was undertaken during the reporting period.

Individual Annual Reports for EL22270 were completed by Smith, B (2004), Vivian, R (2005), Mees, H (2006), and Tomlinson, R (2009).

The tenement was incorporated into a Combined Annual Reporting Group along with AN389 (now MA389), EL22269, EL23237 and EL10137 in 2007. Combined reports including EL22270 were completed by Mess, H & Vivian, R (2007), Wetherley, C (2008), Hassall, I (2010) and Burgess, A (2011).

Significant deposits of iron mineralisation occur within EL22270, which has resulted in the application for three (3) Mineral Leases over the tenement area. The last of the Mineral Leases partially covering EL22270 was granted in September 2011.

The Company has decided to let the tenement expire as it is now covered in its entirety by granted Mineral Leases ML24727, ML25087 & ML27228.
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1. INTRODUCTION

This Final Surrender Report is submitted by Territory Resources Ltd (Territory) to meet statutory reporting requirements on tenement EL22270. The tenement was surrendered outright by the company on 9th July 2012, at the 10 year anniversary of the tenement, as it was covered in its entirety by granted Mineral Leases.

EL22270 is located approximately 1km north west of the old Frances Creek iron ore mining district from which about six million tonnes was produced during the period 1967-74. The mining district lies 23km north of the township of Pine Creek which is located on the Stuart Highway about 220km south of Darwin (Figure 1). Access from Pine Creek is along the sealed Kakadu Highway for 2km and then along the graded Frances Creek Mine road for 23km to the old iron ore mine site.
Figure 1: Frances Creek Project – Location Plan
Figure 2: Tenement EL 22270 (blue hatch) location over aerial photography. ML24727 & ML25087 were granted in April 2007 and partly overlaid EL22270. ML27228 was granted on 26th September 2011 and also partly overlies the tenement. EL22270 is now covered in its entirety by ML’s.
2. TENURE

The application for EL22270 was on 24th November 1999, and was granted to Arafura Resources NL (Arafura) on 10th July 2002 for a period of 6 years. The tenement covered 3.05km² or approximately 1 block.

On the 22nd September 2003, Territory entered into a joint venture agreement with Arafura, whereby Territory was granted the right to explore for and mine iron ore over the tenement area.

On the 18th January 2008, Territory entered into another agreement with Arafura, where they agreed to buy the tenements off Arafura in the Frances Creek region (that included EL22270). Arafura retained the rights to explore and mine for gold within EL22270.

The original term of the tenement was to expire on 9th July 2008. A 2 year renewal was granted to 9th July 2010. A further 2 year renewal application was granted and the tenement was to expire on 9 July 2012; this was not renewed by Territory Resources as the tenement was now completely overlain by Mineral Leases.

ML27427 and ML25087 were granted on 5th April 2007 and 24th April 2007 respectively, and partially overlie EL22270. ML27228 was granted on 26th September 2011, and covers the remainder of EL22270 (Figure 2).

2.1 MINERAL RIGHTS

Territory Resources has mineral rights for all minerals on EL22270 other than gold, which are held by Arafura Resources NL. In January 2008, Territory Resources agreed to buy the tenements off Arafura, with Arafura retaining the gold rights.

2.2 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.
2.3 ABORIGINAL HERITAGE SURVEY AND NATIVE TITLE

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

- DC01/06 (Gabriel Hazelbain & Ors) – PPL 1111

AAPA provided Territory Iron with an Authority Certificate (C2006/095) in reference to ML24727 on 14 September 2006 which covers all areas of EL22270 where exploration activities were undertaken.

An Indigenous Land Use Agreement (ILUA) was signed with the Northern Land Council (NLC) and traditional owners on 23 February 2007. This agreement covers mining and transportation of ore at Frances Creek and facilitates Aboriginal training and employment.
3. 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.

The Palaeoproterozoic sediments of the Wildman Siltstone and Mundogie Sandstone of the Mt Partridge Group predominantly occur within the tenement area (Figure 3).

The Wildman Siltstone 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, is absent from this sequence.

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 haematitic intrbeds of phyllite, carbonaceous phyllite and sandy siltstone are also present. The Sandstone forms the core of an anticlinorium which forms the main structural feature in the tenement.

Numerous dykes and sills of pre-orogenic Zamu Dolerite have preferentially intruded the pelitic units of the Gerowie Tuff, Koolpin Formation and the underlying Wildman Siltstone.

These sediments, volcanics and dolerite sills have been moderately to tightly folded about NNW 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.

3.1 MINERALISATION

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.

Undeformed breccia textures and textures indicative of high level open-space deposition (euhedral hematite and quartz, crystal lined voids, colloform banding) are ubiquitous within the deposits. The ore bodies were probably formed by low temperature hydrothermal (probably supergene) hematite (+-euhedral quartz+-kaolin) deposition within pre-existing breccias, which were formed by both high level folding in the siltstone host and within breccias possibly formed by the dissolution collapse and replacement of specific carbonate and/or sulphide beds within the Wildman Siltstone. Dolomitic carbonate and major cavities intersected in drilling directly below the Helene 6/7 and Helene 11 deposits support the role of carbonates in breccia formation (these may also host economic manganese mineralization). The fold breccias are frequently associated with F3 axial planar faults and folds or Post-D3 faults. Evidence of deformation subsequent to the formation of the iron mineralization is scarce and is restricted to brittle faulting and jointing.

Dykes of Early Proterozoic Zamu dolerite are intimately associated with the iron 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.

Bleaching of siltstones in the hanging wall sequence has been postulated as an indicator of hydrothermal fluid flow. However, drill core frequently shows no or little bleaching of the carbonaceous shale footwall even where extensive areas of hematite breccia are present. Bleaching of the hanging wall is therefore more likely to be due to weathering. Typically, the footwall contact is a sharply defined redox boundary between the fully oxidised hanging wall and the relatively unaltered, weakly sulphidic carbonaceous shale footwall, with the iron ore bodies possibly formed in a redox front.

Distribution of goethite and phosphorus within the deposits is not well understood. Goethite probably formed due to late hydrological processes specific to each deposit. At Helene 5, goethite-phosphorus is restricted to a discrete zone at depth and is not a continuous feature over the deposit, and may be due to late faulting. At Thelma Rosemary, a zone of stratiform >0.5% P iron ore within the orebody may be either fault related or may reflect a natural sedimentary variation in the protolith.
Figure 3: Tenement EL 22270 over NTGS 100k geology.
4. WORK COMPLETED AND RESULTS

4.1 Reporting Year – 25th February 2012 – 9th July 2012

No work was carried out on the tenement within this period. The tenement was covered in its entirety by granted Mineral Leases on 26th September 2011 when ML27228 was granted. As such, Territory no longer requires EL22270.

4.2 Summary 10th July 2002 to 9th July 2012

A significant amount of exploration and geological programs were undertaken within EL22270 during the 10 years of the grant period of the tenement. In summary, the following works have been completed:

July 2002 – July 2003

- No on-ground exploration was conducted on the license during this reporting period by Arafura Resources. This was due to delays in Arafura’s attempt to finalise an IPO to raise exploration funds.

July 2003 – July 2004

- Arafura conducted a stream sediment sampling program over their tenure held in the Frances Creek region, which included EL22270. A total of 257 samples were collected from the overall area; 21 samples were collected from EL22270. The program identified several areas of low-order gold anomalism in the Mundogie sandstone and in the Wildman Siltstone, although not within EL22270.

Territory Resources conducted the following:

- Data compilation and literature review to evaluate the known deposits on the tenement. Historical drill data from Thelma 2 and Thelma 3 were sourced from the NT Archives. A digital database of the historic drilling at Thelma 2 was validated. The review also included the significant iron occurrences reported by Crohn (1974) in the tenement which were:
  - Thelma 1: 65,000t at 62.9% Fe and 0.1%P
  - Thelma 2: 250,000 – 300,000t at 65.1%Fe and 0.2%P
  - Thelma 3: 13,500t at 65.1%Fe and 0.185%P
  - Rosemary Extended: no resource reported.
- Detailed ground gravity survey at 50m spacings along 250m spaced lines. A total of 257 readings were taken within the tenement boundary.
- Processing of gravity data by Vector Research Pty Ltd which produced a series of images showing residual gravity anomalies.
- Geological field visits to determine hematite ironstone lodes

**July 2004 - July 2005**

Territory Resources conducted the following:

- Office studies to review aeromagnetic survey data and a literature search for capital raising. The aeromagnetic review indicated that the Thelma 1 – Thelma 2 – Thelma 3 line of ironstone mineralisation could not be ‘seen’ in the 1987 – 1990 data that had been re-processed by Resource Potentials Pty Ltd in an attempt to enhance features that may be associated with the ironstone line.
- It was proposed that iron targets identified in this reporting period would be further pursued next year by using a combination of RAB drilling and low-level detailed aeromagnetic surveying.

**July 2005 - February 2006**

- An aeromagnetic and radiometric survey was flown within L22270, consisting of approximately 61 line-kilometres by UTS Geophysics. The magnetic and radiometric data was corrected, and then further processed by Resource Potentials Ltd to give a series of images showing 1st, 2nd and 3rd vertical derivatives of reduced to the pole total magnetic intensity data and individual Uranium, Thorium and Potassium spectra of the radiometric data.
- A brief structural mapping program was completed over the Thelma line of mineralisation within EL22270.
- Work proposed for the next reporting period consisted of 500m RAB and/or RC drilling along the Thelma line of mineralisation, and also prospect mapping to be carried out in conjunction with the drilling program.

**February 2006 – February 2007**

***EL22270 formed part of a Combined Annual Report along with AN389, EL10137, EL22269 and EL23237. The reporting date for the tenement has an anniversary date on the 24th February.

- Aerial photography was flown over all of the proposed ML24727 (which covered parts of EL22270). Survey Graphics processed the photography into ortho-rectified photo-mosaic and digital photogrammetry products.
• A total of 425 metres of RC drilling in 11 holes was completed on the tenement. The primary purpose of this drilling was to increase the confidence in and extend the resources at the known deposits, and to test the prospective areas which did not have established resources. 7 holes were drilled at Thelma 1; 4 holes were drilled at Helene 1.

• An in-house resource model was completed for the Thelma 1 deposit. The inferred Resource Estimate for Thelma 1 was 10,000t at 62.8%Fe.

• In preparation for mining, feasibility studies and other pre-mining activities included a Public Environmental Review, Mine Management Plan, Environmental Surveys, Pit and waste dump design, pit optimization studies and geotechnical studies. Most of this work focused on the Helene 6/7 pit which is not located within EL22270.

February 2007 – February 2008

• During the reporting period Territory was granted ML24727 (5th April 2007) and ML25087 (24th April 2007) which partially overlie EL22270. A relatively small area remained within the 1 block that was EL22270.

• Remote Sensing – Hyperspectral Imagery was acquired covering a group of contiguous tenements, including EL22270. HyVista Corporation was contracted by Territory to acquire and process the data. Standard colour composites and images were produced for photo-interpretation to delineate geological units and structural features.

• Drilling was carried out in within the tenement area, although this was undertaken after the Mining Leases were granted.

February 2008 - February 2009

• Reconnaissance and geological mapping was conducted over the remaining portion of EL22270 outside the granted Mining Lease areas.

• A review of all the available geophysics data was conducted in order to develop additional drill targets. This was completed for the whole of the Frances Creek Project, including EL22270.

• It was anticipated that RC drilling of generated targets would be undertaken in the next years work program.

February 2009 - February 2010

• A full review of all previous geophysical, mapping, rock-chip, and drilling data to re-interpet the data for potential targets.

• A total of 102 metres was drilled in two RC holes at the northern end of the Helene 1 mineral occurrence, where a major fault has been interpreted. No mineralisation was intercepted, and no further drilling was conducted on the anomaly.
February 2010 - February 2011

- An independent report by Hawkes Geophysics Pty Ltd was submitted to Territory Resources which discussed the interpretation and target generation for hematite mineralisation from all currently available geophysical and geological data over Frances Creek. This included EL22270, where a target was identified that partially overlay the tenement. However, the geophysical target was small, and rated as a low priority.

February 2011 – July 2012

- ML27228 was granted on 26th September 2011, which covered the remainder of EL22270.
- As such, no exploration activities were conducted within EL22270 within the reporting period.

5. EXPENDITURE

Expenditure for the reporting period 10th July 2011 to 9th July 2012 was **$1,500**.

6. REFERENCES


Hassall, I. 2010. Combined Annual Report for the period 25\textsuperscript{th} February 2009 to 24\textsuperscript{th} February 2010: covering Exploration Tenements AN389, EL10137, and EL22270. Territory Resources Ltd Company Report.

Burgess, A. 2011. Combined Annual Report for the period 25\textsuperscript{th} February 2010 to 24\textsuperscript{th} February 2011, covering Exploration Tenements AN389, EL10137, and EL22270. Territory Resources Ltd Company Report.