McCarthy Hill Rehabilitation Progress Report (EL22440) – Feb 2013

TERRITORY IRON

February 2013

Table of Contents

1.0 Introduction

The purpose of this document is to provide a brief annual[1] progress update of the rehabilitation works undertaken in 2011 of selected Territory Iron Ltd exploration drill pads and associated access tracks within the McCarthy Hill project area. This report outlines both the results of site inspections undertaken in December 2012 and January 2012.

The McCarthy Hill project area is located within Exploration Lease 22440, approximately 25km east-southeast of the Company's Frances Creek Mine (Refer Fig 1).

In November and December 2010, 31 reverse circulation percussion (RC) drill holes were completed to test for iron mineralisation over a 900m by 300m area along a ridgeline at the McCarthy Hill project site. Drilling required the grading of an existing access track, the construction of 31 drill pads and the grading of access tracks between the drill sites.

Rehabilitation works centred on 11 of the 31 drill pads and 2000m of associated access tracks. The remaining 20 drill pads have been highlighted by the Exploration department as possible locations for diamond core drilling to obtain samples for metallurgical test work. Monitoring results highlighted in the February 2012 Progress Report, indicated that the natural revegetation of the rehabilitated areas was progressing well and expected to be improved with infill seeding.

Observations made during December 2012 indicate that the rehabilitation progress is consistent with expectations as compared to similar works undertaken in the region to date.

All works within EL22440 are conducted in accordance with the Exploration Access Agreement: Gunlom 2010, Aboriginal Area Protection Authority (AAPA) Certificate C2012/216, Territory and Federal Regulations and other stakeholder requirement.

[1] Related Reports: McCarthy Hill Rehabilitation Progress Report (EL22440) - Feb 2012

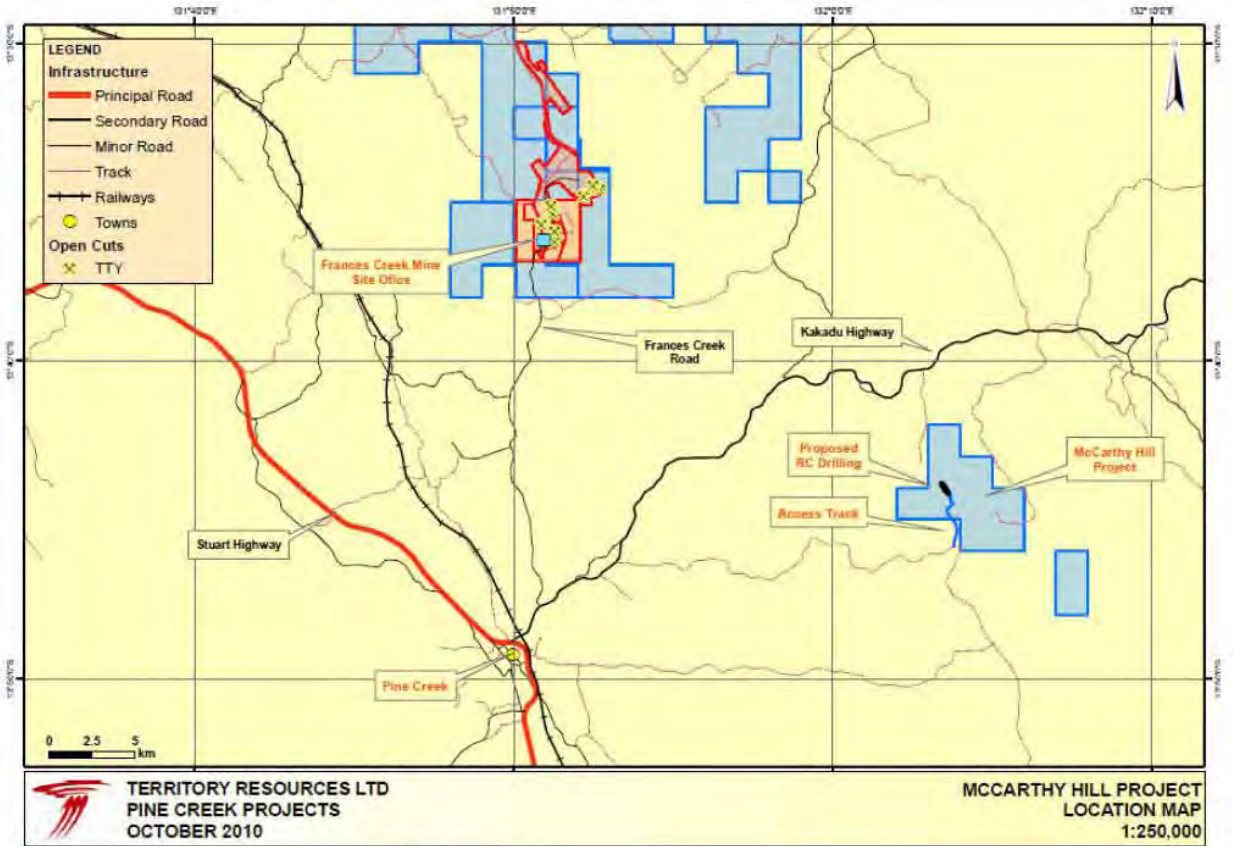

Figure 1: Location of McCarthy Hill Project Area

2.0 Site Description

2.1 Site Description and Environment

The McCarthy Hill area is located at the southern tip of the Lower Wildman Formation (refer Fig 2). The 2010 exploration drilling program centred on 900m x 300m area across a low lying ridge spur towards the southern end of the McCarthy Hill complex. This spur has a significant number of iron ore outcrops that are of interest to Territory Irons exploration program.

The main vegetation in the area is open eucalypt forest, with Spinifex grass and scattered shrubs and trees making up the lower and mid story vegetation. Only ephemeral creeks and drainage zones exist within the project area.

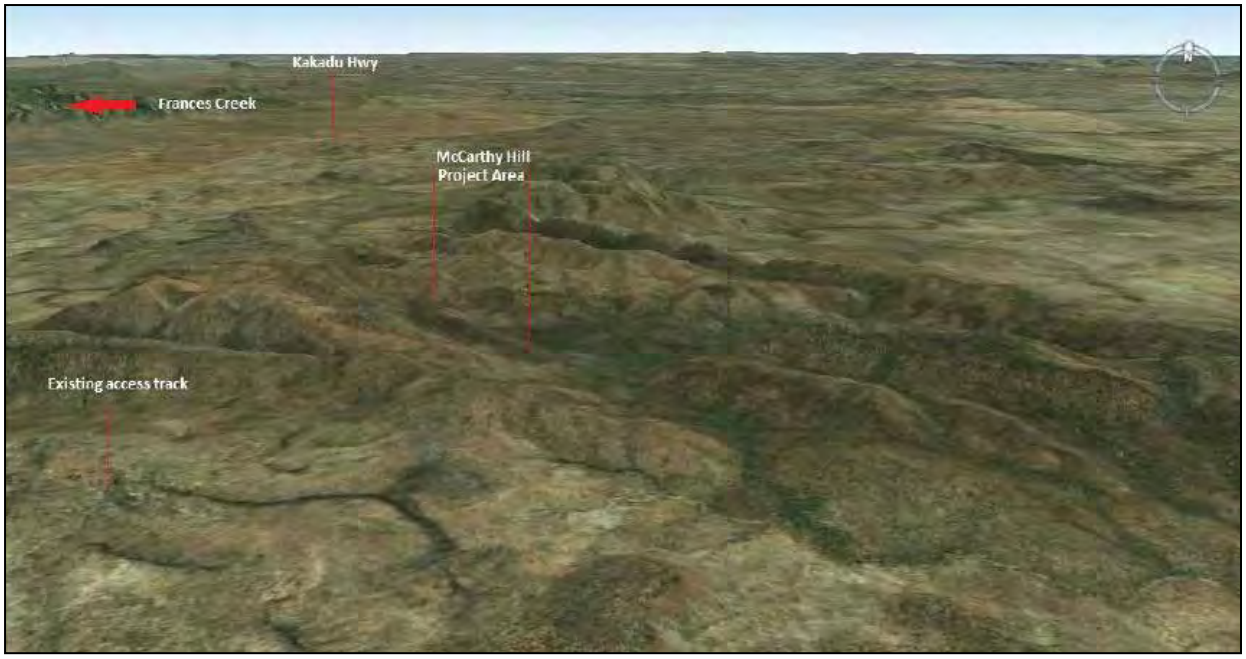

Figure 2: McCarthy Hill Environment

2.2 Land Use

There have been no changes in the Traditional land use patterns for 2012, with representatives of the three clan groups (ie. Wurrkbarbar, Bolmo and Matjba) primarily using the area for hunting. Mary River Cattle Station did not use the area for grazing or other pastoral land practices during the period.

2.3 Exploration Program

No Territory Iron Exploration activities were undertaken at the site during 2012.

As presented in Figure 3, there has been no change in the number of drill pads approved for rehabilitation. Rehabilitation works have centred on eleven drill holes and the corresponding drill pads.

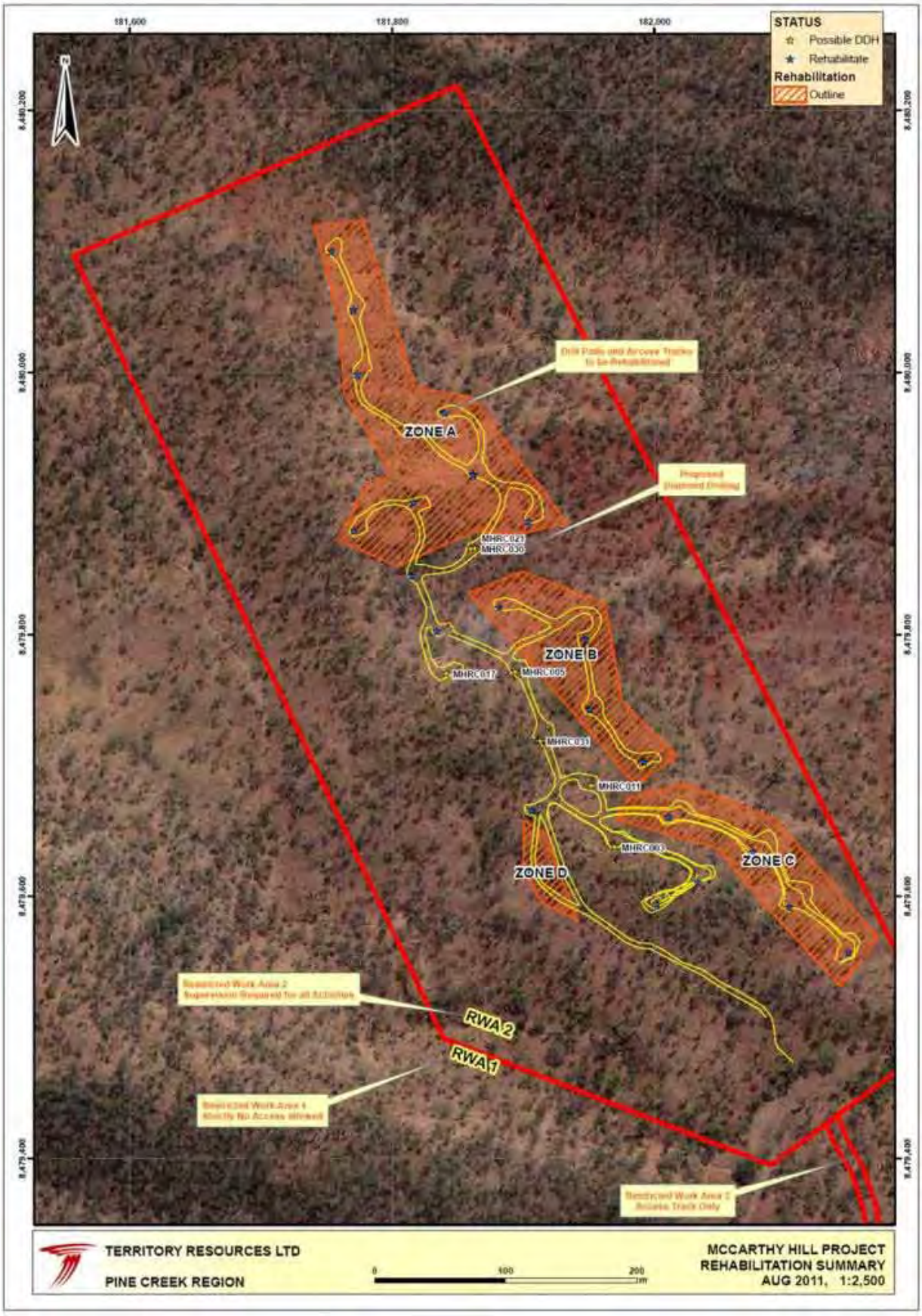

Figure 3: Rehabilitation Plan

3.0 Site Inspections: January 2012

3.1 Post Drilling Condition

A site inspection was conducted on the 14th July 2011 that investigated the current condition of the Exploration project area. The area was found to be in generally good condition, as demonstrated in the following photographs taken on the 14.07.2011.

As per protocol for drill holes all PVC collars are temporarily plugged with concrete plugs (Figure 1). There is no waste present on site, as all sample bags and general waste have been removed. Some star picket survey poles remain throughout the area that will be removed upon completion of all works on site.

Figure 4 Plugged PVC Collar at MHRC 014

A small amount of natural bush regeneration was noted on several drill pads, particularly MHRC 017 and MHRC 009, in addition to some of the access tracks (Figure 2). Observations during site visit indicated that there are no weeds in the area.

Figure 5: Vegetation Regrowth at MHRC 017

Erosion gullies had formed downhill from several of the drill pads during heavy rain in early 2011, the largest of which is above drill hole MHRC 012 (Figure 3 and Figure 4). The erosion was restricted to a small number of drill pads; however it was noted as a potential issue for the coming wet season and therefore required consideration during rehabilitation.

Figure 6: Erosion gully uphill from MHRC 012

Figure 7: Erosion Gully at MHRC 024

3.2 Rehabilitation Works

In August 2011, Exploration team members cut the PVC collars of holes on pads not to be retained for possible diamond drilling. In November 2011, the access track into McCarthy Hill was graded and re-contouring of drill pads and access no longer required was completed using an excavator and grader. The rehabilitation status of all holes is shown in Table 1.

On 10 January 2012, Environment Department team members conducted seeding of the areas that had been re-contoured in November 2011. Mixed treated native seed was spread over these areas at a rate of 3kg/ha. The seed mix was compiled of predominantly local shrubs and trees consistent with the surrounding vegetation (refer Appendix 1). During site visits by the Environment Department in July 2011, January and February 2012 it was observed that a level of natural revegetation of the disturbed ground had already started. Site photographs from the February 2012 inspection are presented in Appendix 2.

Current access to McCarthy Hill is difficult due to the rainfall associated with the wet season. The Environment Department plans to return to the area in 2012 at the beginning of the dry season to establish monitoring transects in the rehabilitated zones of the site. This will enable ongoing erosion and revegetation monitoring in accordance with the McCarthy Hill Rehabilitation Plan.

Table 1: Drill pad rehabilitation status

Hole_ID	MGA_North	MGA_East	RL_m	Drilling Finished	Rehabilitation Status
MHRC001	8479593.7	182001.6	242.5	20-Nov-10	Collar cut, capped & buried
MHRC002	8479612.2	182032.7	245.2	21-Nov-10	Collar cut, capped & buried
MHRC003	8479640.8	181970.1	247.8	21-Nov-10	Retained as possible diamond drill site
MHRC004	8479665.5	181904.5	248.1	21-Nov-10	Collar cut, capped & buried
MHRC005	8479772.1	181892.8	243.6	22-Nov-10	Retained as possible diamond drill site
MHRC006	8479660.4	182009.2	238.9	22-Nov-10	Pad & access re-contoured – Zone C
MHRC007	8479635.4	182074.4	233.8	23-Nov-10	Pad & access re-contoured – Zone C
MHRC008	8479721.1	181909.3	246.9	24-Nov-10	Retained as possible diamond drill site
MHRC009	8479593.4	182102.1	236.6	25-Nov-10	Pad & access re-contoured – Zone C
MHRC010	8479553.7	182141.4	230.5	26-Nov-10	Pad & access re-contoured – Zone C
MHRC011	8479684.6	181946.2	244.1	26-Nov-10	Retained as possible diamond drill site
MHRC012	8479702.9	181990.1	229.9	27-Nov-10	Pad & access re-contoured – Zone B
MHRC013	8479743.1	181949.2	232.4	28-Nov-10	Pad & access re-contoured – Zone B
MHRC014	8479796.9	181943.6	229.8	28-Nov-10	Pad & access re-contoured – Zone B
MHRC015	8479821.3	181880.6	234.1	30-Nov-10	Pad & access re-contoured – Zone B
MHRC016	8479800.5	181833.6	244.1	30-Nov-10	Collar cut, capped & buried
MHRC017	8479769.7	181841.4	249.8	1-Dec-10	Retained as possible diamond drill site
MHRC018	8479844.2	181814.4	245.7	1-Dec-10	Collar cut, capped & buried
MHRC019	8479877.3	181769.9	243.2	2-Dec-10	Pad & access re-contoured – Zone A
MHRC020	8479894.2	181816.7	248.5	2-Dec-10	Pad & access re-contoured – Zone A
MHRC021	8479863.0	181858.5	243.3	2-Dec-10	Retained as possible diamond drill site
MHRC022	8479887.3	181904.4	235.5	3-Dec-10	Pad & access re-contoured – Zone A
MHRC023	8479922.2	181862.1	241.4	3-Dec-10	Pad & access re-contoured – Zone A
MHRC024	8479966.9	181841.6	234.5	5-Dec-10	Pad & access re-contoured – Zone A
MHRC025	8479954.0	181809.0	237.7	5-Dec-10	Pad & access re-contoured – Zone A
MHRC026	8479998.2	181774.0	240.4	8-Dec-10	Pad & access re-contoured – Zone A
MHRC027	8480046.4	181768.8	238.5	8-Dec-10	Pad & access re-contoured – Zone A
MHRC028	8480092.2	181752.2	241.0	9-Dec-10	Pad & access re-contoured – Zone A
MHRC029	8479923.7	181861.5	241.3	10-Dec-10	Pad & access re-contoured – Zone A
MHRC030	8479863.7	181863.0	242.8	11-Dec-10	Retained as possible diamond drill site
MHRC031	8479721.4	181911.8	246.3	11-Dec-10	Retained as possible diamond drill site

4.0 Site Inspections: December 2012

Site inspections were undertaken by Traditional Owners on December 5 2012. Photographic evidence was used to inform Territory Iron environmental staff on the condition of the 2011 rehabilitation works and enable adequate planning strategies for the next 12 months.

4.1 Condition

As presented in Figures 8 - 11, revegetation growth has generally been sporadic over the past 12 months. Whilst this is not unexpected, the low levels of seed germination were perhaps owed to the density of seeds spread, coupled with the late timing of initial seeding. Typically, revegetation is slow to establish within the first 12 months with more rapid plant growth during 12-24 month period once plant root systems become established and seeds that have lain dormant germinate.

Erosion and sediment loss appeared to minimal and not dissimilar to natural runoff patterns.

Figure 8: Drill Pad Rehabilitation (Zone C) – December 5 2012

Figure 9: Drill Pad Rehabilitation (Zone A) - December 5 2012

Figure 10: Site Access Track (Zone D) - December 5 2012

Figure 11: Drill Pad Access Track (Zone B) – December 5 2012

4.2 Rehabilitation Works

To assist with accelerating rehabilitation at the site, infill seeding was undertaken by Traditional Owners during mid-December 2012.

Seeding used a mixture of species outlined in Appendix 1 and hand spread at a rate of approximately 5kg/ha.

Early dry season burns will also be undertaken at McCarthy Hill to ensure the influence of fire on the rehabilitation areas is minimised. Further monitoring will be undertaken during the 2013 dry-season.

Appendix 1: List of Native Seeds Planted

26 native seed varieties of plants locally common have been supplied to Territory Iron from Top End Seeds. A selection of tree, flower and shrub seeds were sought in order to replicate the surrounding landscape. Additionally, seeds of 10 local grass species were ordered from Greening Australia for ground cover. Below is a list of the native species used in the rehabilitation program.

Grass Species

- Aristida inaequiglumis
- Brachyachne convergens
- Ectrosia leporine
- Eulalia mackinlayi
- Heteropogon contortus
- Heteropogon triticeus
- Pseudopogonatherum contortum
- Sorghum intrans
- Themeda triandra

Trees

- Corymbia bleeseri
- Eucalyptus miniata
- Eucalyptus phoenicea
- Corymbia dichromophloia
- Callitris intratropica
- Eucalyptus tetradonta
- Corimbia polycarpa

Shrub and Flower Species

- Acacia umbellate
- Brachychilon diversifolius
- Grevillia decurrens
- Hakea arborescens
- Erythrina vespertillio
- Petalostigma pabescens
- Acacia hemignoslo
- Livistona humilil
- Corymbi confert. Flora
- Acacia dimidata
- Brachychiton paradoxus
- Cochlospermum fraseri
- Livistona inermis
- Alphitonia excels
- Acacia camprocarpa
- Acacia horulosa
- Erythrophleum chlorostachys
- Acacia difficilis

Appendix 2: Site Images February 2012

Above/Below: Natural regrowth on re-contoured access tracks – Zone B.

Above/Below: Re-contoured drill pads – Rehabilitation Zone A.

Above/Below: Natural and seeded regeneration – Rehabilitation Zone B

Above: Natural regeneration – Zone B.
Below: Re-contoured access track – Zone B

Above/Below: Natural regeneration – Zone B.

Above/Below: Seeded re-vegetation – Zone A