Title Holder	Territory Resources Limited
Operator	Territory Iron Pty Limited
Tenement Manager / Agent	Australian Mining & Exploration Titles Services Pty Ltd (AMETS – Darwin office)
Titles / Tenements	EL24040
Mine / Project Details	Frances Creek North
Reporting Title	Frances Creek North EL24040 – Annual Report 19th August 2012 to 18th August 2013
Personal Authors	Andy Burgess
Corporate Authors	Territory Iron Pty Limited
Company Reference Number	
Target Commodity	Iron Ore
Report Date	17th October 2013
Datum / Zone	GDA94 / Zone 52
250k Mapsheet	Pine Creek SD52-08
100k Mapsheet	McKinlay River SD5271
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TERRITORY IRON PTY LIMITED

A.C.N. 125 984 401

FRANCES CREEK NORTH

EL24040

ANNUAL EXPLORATION REPORT FOR THE PERIOD

19TH AUGUST 2012 TO 18TH AUGUST 2013

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

A. Burgess
October 2013

SUMMARY

The following report describes work completed on tenement EL24040 by Territory Iron Pty Ltd from 19th August 2012 to 18th August 2013.

The activities on EL24040 during the reporting year consisted of:

- Geological mapping and rock-chip sampling programs by Territory Iron exploration staff (48 rock-chip samples collected)
- Design of Ground gravity survey – over 5,000 stations within EL24040 to be completed in next year's reporting period
- Geological reviews of the area to assist in the geophysical survey and geological mapping programs

Total expenditure for the 2012-13 reporting year was **$65,200.**

Proposed work during the coming twelve months includes a detailed ground gravity survey over the interpreted lower Wildman Formation within EL24040. In addition, geological mapping of possible strike extensions to the Wildman Formation, including rock-chip sampling programs.

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1. INTRODUCTION

This report details exploration activities for iron and manganese mineralisation conducted by Territory Iron Pty Limited ('TIPL') during the period 19th August 2012 to 18th August 2013 on exploration tenement EL24040. The location of the tenement is shown below (*Figure 1)*.

2. LOCATION AND ACCESS

EL24040 is located approximately 40km due north of the old Frances Creek iron ore mining district from which about six million tonnes was produced during the period 1967 to 1974. The mining district lies 23km north of the township of Pine Creek which is located on the Stuart Highway about 220km south of Darwin. Access from Pine Creek is along the sealed Kakadu Highway for about 3km and then along the Mary River station road for 25km into the southern end of the Mine tenements. Exploration tracks then connect the Mine to exploration tenure to the north, including EL24040 (Figure 2).

3. TENURE

3.1 MINERAL RIGHTS

Territory Iron Limited (later Territory Resources Limited) applied for tenement EL24040 on 23rd September 2003. Following native title, landholder notification, and advertising, the tenement was granted on 19th August 2004 for a term of 6 years to 18th August 2010. A renewal term of two years was granted for EL24040 in November 2010, to extend the expiry date to 18th August 2013. A further renewal term of two years was submitted and approved; the tenement is due to expire on 18 August 2014.

3.2 LAND TENURE

Land tenure under the title includes parts of:

- Ban Ban Springs Pastoral Lease, PPL 1111 – NT Portion 695, owned by Ban Ban Springs Station Pty Ltd, PO Box 7207, St Kilda Road, Melbourne, Vic 8004.

3.3 ABORIGINAL HERITAGE SURVEY AND NATIVE TITLE

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

- DC01/21 (Paddy Huddleston & Ors) – PPL 1111

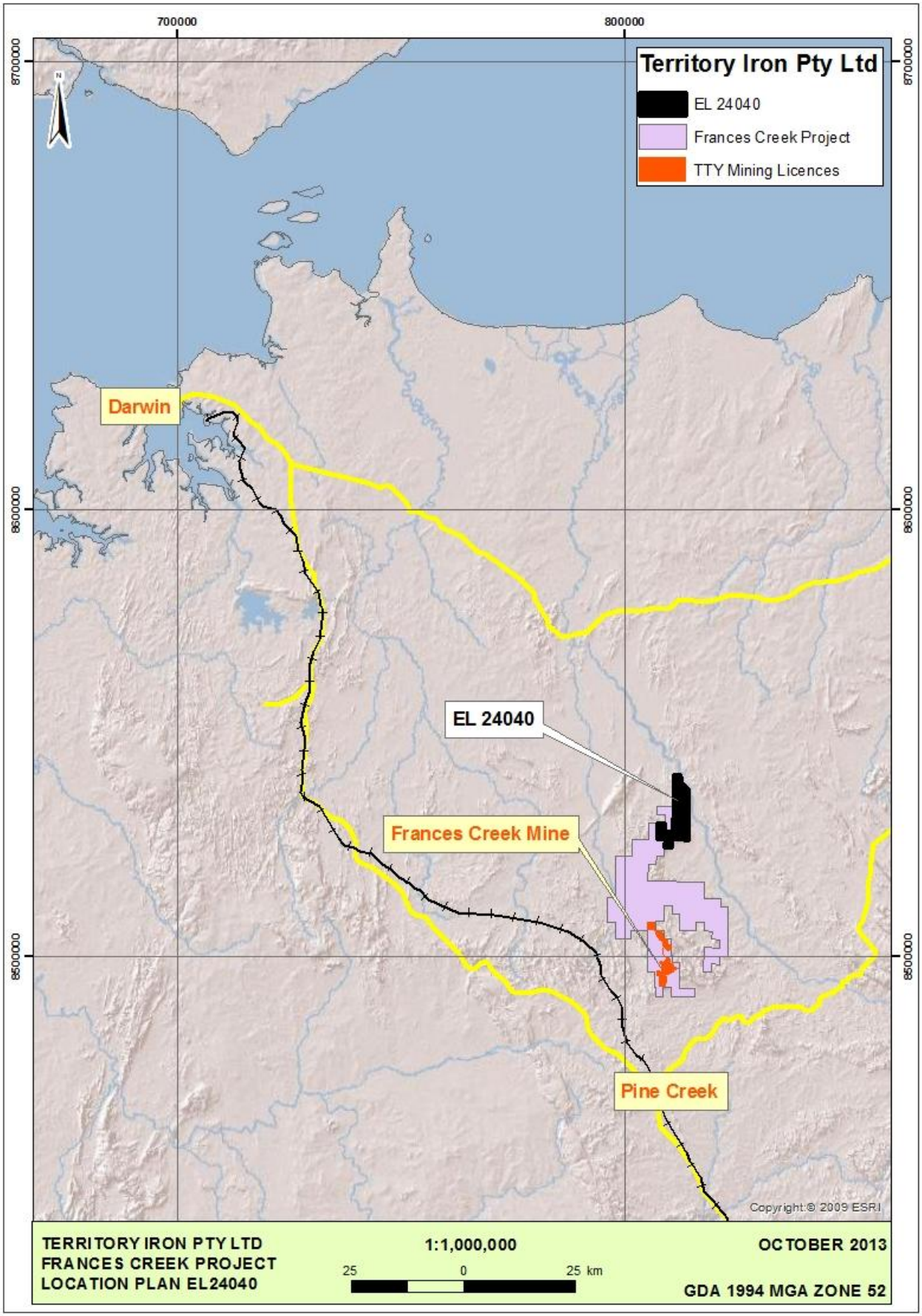

Figure 1: EL24040 Overview of tenement location

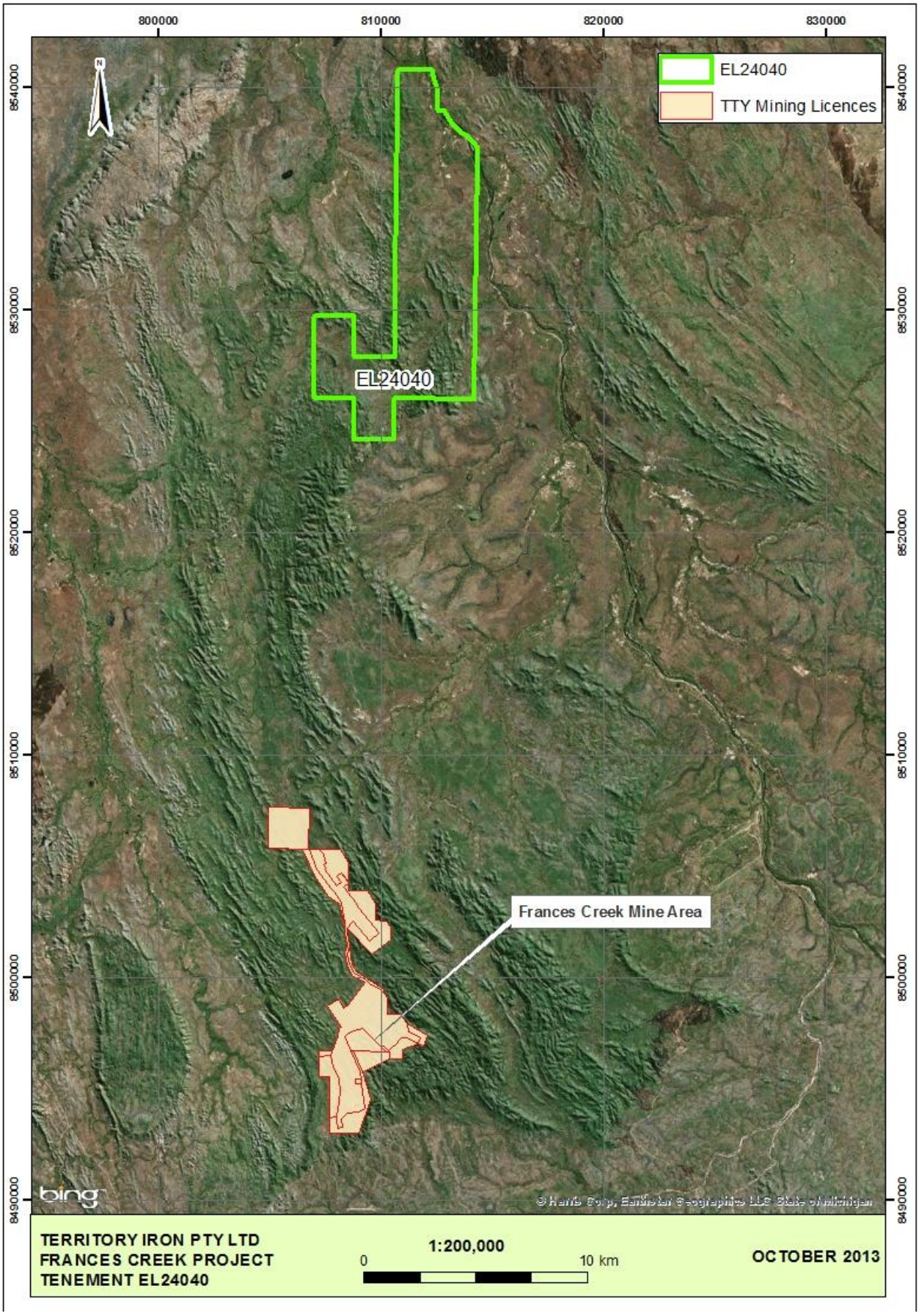

Figure 2: EL24040 Tenement Location in relation to Frances Creek Mine

4. DISTRICT GEOLOGY & MINERALISATION

The Frances Creek tenement group provides a cross section of the Early Proterozoic sedimentary stratigraphy of the Pine Creek Geosyncline. The eastern most tenements cover sedimentary rocks of the Namoona and Mt Partridge Groups; the central tenements cover sedimentary rocks of the South Alligator and Mt Partridge Groups, including the iron-prospective Lower Wildman Siltstone, whilst the western tenements cover sediments of the Finnis River and South Alligator Groups. The sediments are complexly folded in a NNW trend. Conformable sills of Early Proterozoic Zamu Dolerite are folded with the sediments. Cretaceous quartz-pebble conglomeritic sandstone forms remnant plateaus over the central tenement area.

The South Alligator Group covers the western tenements, hosting the iron-bearing Koolpin Formation. The Koolpin Formation is represented by a series of narrow mineralized brecciated siltstone units located in a north-south trending valley located about 2km due west of the present mine workings at Frances Creek. The mineralisation is primarily iron with secondary manganese. The mineralisation can be recognized in the majority of outcrops by a conspicuous dark knobbly siltstone breccia. Occasionally, the iron is a replacement mineral in non-brecciated siltstone. Outcrops containing the manganese mineralisation are less continuous and are more likely to be displaced by faulting.

The Koolpin Formation unconformably overlies the Wildman Siltstone and is conformably overlain by the Gerowie Tuff. In places, sills of Zamu Dolerite have intruded along the upper and lower contacts and within the sequence.

The Frances Creek Iron deposits are hosted by the lower Wildman Siltstone, which is predominantly composed of Lower Proterozoic carbonaceous shales and siltstone. The iron mineralisation on a broad scale is stratiform as it follows the trace of a regional NNW trending shallowly plunging non-cylindrical anti-form and its subordinate parasitic folds. The iron deposits generally have moderate to steep dips on the fold limbs and appear to attain best grades and thicknesses within smaller parasitic drag folds, flexures and associated fold/fault breccias. The major folds reportedly formed as a result of ENE-WSW shortening during regional deformation event D3 (NTGS, 1993). However, the iron mineralisation itself appears to post-date the D3 folding event.

Dykes of Early Proterozoic Zamu Dolerite appear intimately associated with the iron ore deposits. They appear to predate iron deposition, and are mostly conformable sills that have undergone the

same folding and brecciation events as the host sediments. The dolerites may also in part be replaced by hematite. The apparent close relationship of dolerites and iron mineralisation is probably due to increased brecciation around the margins of the 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.

EL24040 is located at the western extent of the Minglo Granite of the Cullen Batholith with inliers of Frances Creek Granite. The eastern portion of the tenement is within the Mundogie Sandstone (Figure 3). The western half of the tenement is covered by the Wildman Siltstone (Mount Partridge Group) which is laminated, red-brown and cream colour-banded silty carbonaceous phyllite (meta-siltstone). The western part of the tenement covers tightly folded Gerowie Tuff and Koolpin Formation.

The Mundogie Sandstone has been considered prospective for vein Au deposits and polymetallic Cu-Pb-Zn-Ag vein mineralisation by the Northern Geological Survey. The Wildman Siltstone in considered prospective for iron ore, vein Au and polymetallic Cu-Pb-Zn-Ag vein mineralisation. The Koolpin Formation is considered prospective for unconformity-related U and Au-Pt-Pd deposition, vein Au, skarn Sn-W-Mo-Au deposition, Pb-Zn-Ag sulphides and iron ore. The Gerowie Tuff is considered prospective for vein Au and polymetallic Cu-Pb-Zn-Ag vein mineralisation.

The central portion of the tenement includes the Mt Masson Tin Mine (Sn, Au, Ag, As and base metals) and in the north the Jessops Tin Mine (anomalous Sn, Au, Ag, As and base metals). There are numerous abandoned diggings (probably for tin and gold) across the tenement.

Iron and manganese have been identified to the south of the tenement at the Millers manganiferous iron ore prospect, but no commercial iron ore deposits have yet been identified within tenement EL24040. Previous work had identified ironstone quartz breccias, probably associated with oxidation and replacement of pyrite horizons within the carbonaceous units of the Wildman Siltstone. Outcrops generally consist of remobilised hematite with quartz breccia, typically with strike lengths of 30 metres and widths up to 5 metres.

5. EXPLORATION ACTIVITIES – REPORTING YEAR 2012-13

5.1 Ground Gravity Survey Design

During the reporting period TIPL completed the design of over 5,000 ground gravity survey stations within the tenement (Figure 4). Reviews of the available geophysical coverage at Frances Creek suggests that a combination of Gravity and EM techniques is most useful for direct (detection of hematite) targeting of the Frances Creek hematite mineralisation.

The main objectives of the proposed survey are to identify new targets for hematite mineralisation at the northern extension of the Frances Creek Project either by direct detection as local gravity highs or by identification of the commonly associated carbonaceous shales within the Wildman Formation, which are identified as a low density marker.

Existing gravity data in the Frances Creek area has been collected in a piecemeal fashion, containing areas of different data resolution (station spacing) and line orientation. The proposed gravity survey is designed to complete the detailed coverage over the interpreted lower Wildman from the mine site in the south up to the northern extent of the Frances Creek Project, effectively providing infill over the prospective Lower Wildman Formation stratigraphic sequence.

5.2 Geological mapping and rock-chip sampling

TIPL Exploration Geology staff undertook reconnaissance visits to the tenement for ground truthing / geological mapping and rock-chip sampling over the hematite / goethite outcrops in the reporting period. Forty-eight (48) rock-chip samples were collected at preferred sites; their locations are shown in Figure 3 and the data is attached in Appendix 1. There is potential to explore further for iron and manganese mineralisation within the tenement.

5.3 Other Activities

During the reporting period Territory conducted geological reviews of the area to assist in the geophysical survey and geological mapping / rock-chip sampling programs.

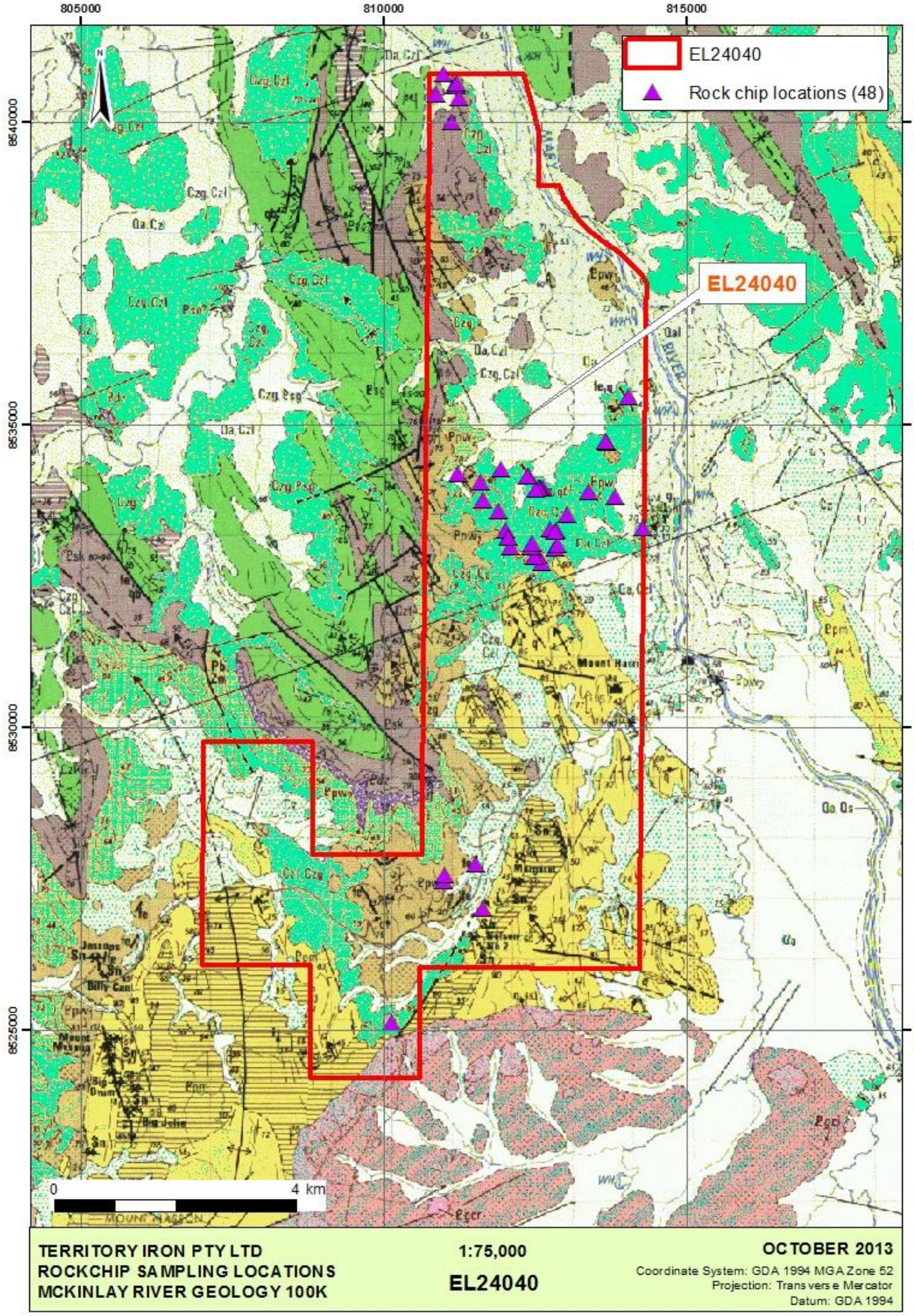

Figure 3: EL24040 100k Geology & Rock-chip sampling locations

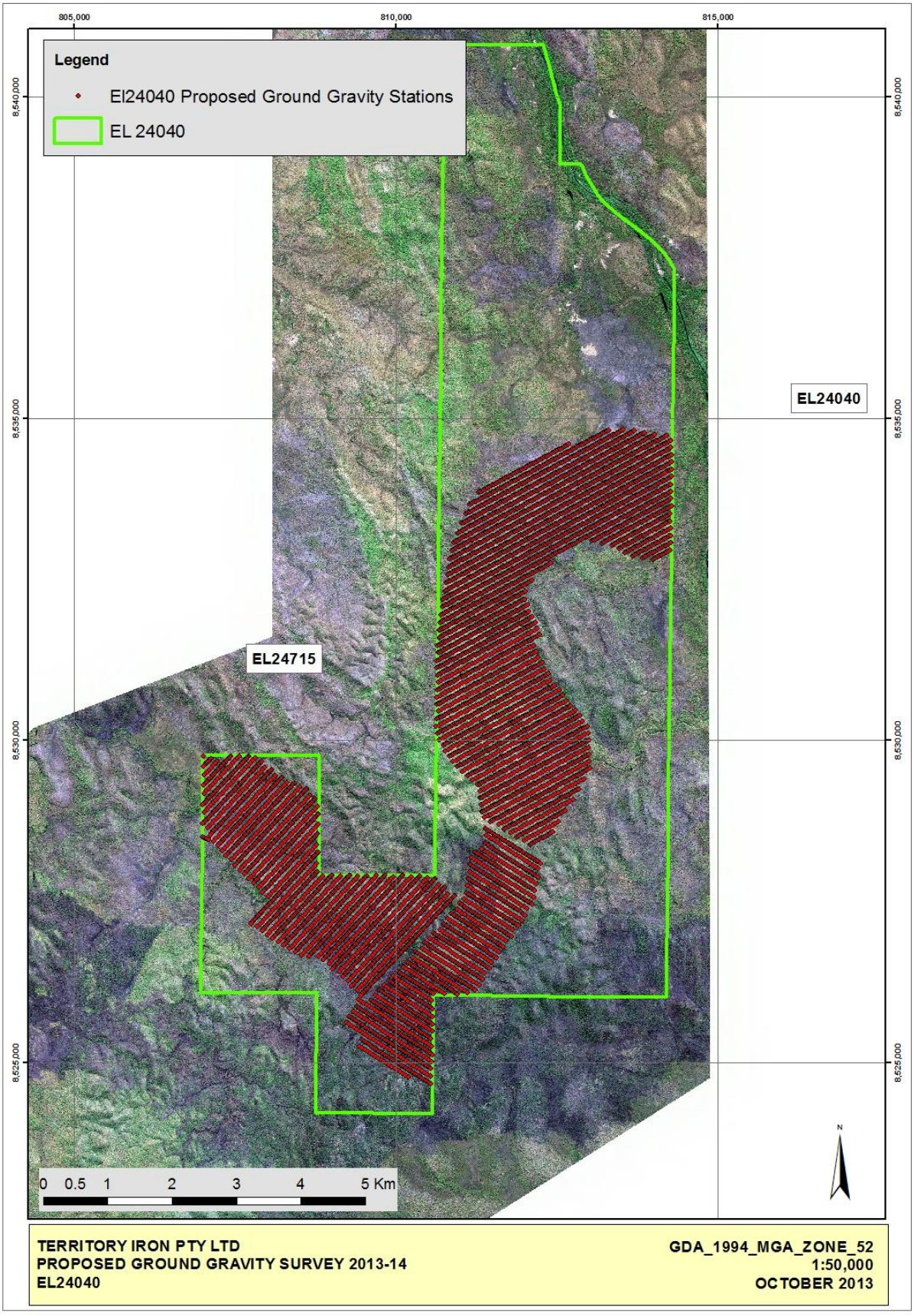

Figure 4: EL24040 Proposed Ground gravity survey locations for 2013-2014

6. EXPLORATION EXPENDITURE

Exploration expenditure for the reporting period is **$65,200** against a covenant of $48,000.

7. CONCLUSIONS & RECOMMENDATIONS

In conclusion, there is potential to explore further for iron and manganese mineralisation within the tenement. TIPL is planning to undertake exploration activities within EL24045 based on this year's recommendations from field visits and desktop studies. This work includes:

- Ground Gravity survey over areas of Lower Wildman Formation (preliminary design of stations was completed during the reporting period).
- External interpretation and assessment of ground gravity data collected.
- Geological mapping of possible strike extensions to the Wildman Formation for iron enrichment, including rock-chip sampling programs.
- Continuing research of all other minerals (Territory has rights to all minerals except gold). This will be followed up with site visits and rock-chip sampling.

The covenant for the 2013-2014 reporting period is **$52,750.**

APPENDIX 1:

NT DME text files
(includes Verification List)