Title Holder	Territory Resources Limited
Operator	Territory Iron Pty Ltd
Tenement Manager / Agent	Australian Mining & Exploration Titles Services (Darwin office)
Titles / Tenements	ML27225
Mine / Project Details	Frances Creek
Reporting Title	ML27225 Annual Report for the Period 17th August 2012 to 16th August 2013
Personal Authors	Andy Burgess
Corporate Authors	Territory Resources Limited
Company Reference Number	
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A.C.N. 125 984 401

ML27225

ANNUAL REPORT

For the Period

17th August 2012 to 16th August 2013

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

Andy Burgess
October 2013

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SUMMARY

This report details exploration activity conducted by Territory Iron Pty Ltd ('Territory') within tenement ML27225 during the year ending 16th August 2013. Work was undertaken for the reporting period within ML27225 targeting Frances Creek style hydrothermal hematite mineralisation and comprised:

- 2 Air Core (AC) drill holes specifically targeting the hematite-goethite iron ore mineralisation in-between the previously mined Ochre Hill deposit and the Saddles 1 prospect, for **140** metres

It is proposed to incorporate this tenement into Territory's Combined Annual Report for the Frances Creek Project (CGR 125/09) in the next reporting period.

1. INTRODUCTION

This report is submitted by Territory Iron Pty Ltd ('Territory') to meet statutory reporting commitments on tenement ML27225 for the year ending 16th August 2013.

ML27225 is located about 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.

Access from Frances Creek Mine through to the tenement is generally poor. Presently it is via the Ochre Hill-Millers Road which was re-established by Territory Iron Ltd during 2004-05 to access these prospects. This road runs mainly outside and along the eastern boundary of the tenement. It is not maintained by either leaseholders or the NT authorities and use of 4WD vehicles is advisable at most times. Vehicular access off this road is usually not possible between the December to May tropical monsoon wet season.

2. TENURE

2.1 Mineral Rights

ML27225 was granted to Territory Resources Limited on 17th August 2012 for a term of 25 years, expiring on 16th August 2037. The tenement covers 242.8 hectares (Figure 2). This Mineral Lease was underlain by EL9999 & EL10137, which are still held by Territory Resources Ltd.

The Frances Creek Mine is operated by Territory Iron Pty Ltd, a wholly owned subsidiary of Territory Resources Ltd. The company is currently undertaking a Corporate Restructure, whereby all tenure held under the name of Territory Resources Ltd will be transferred to Territory Iron Pty Ltd (including ML27225).

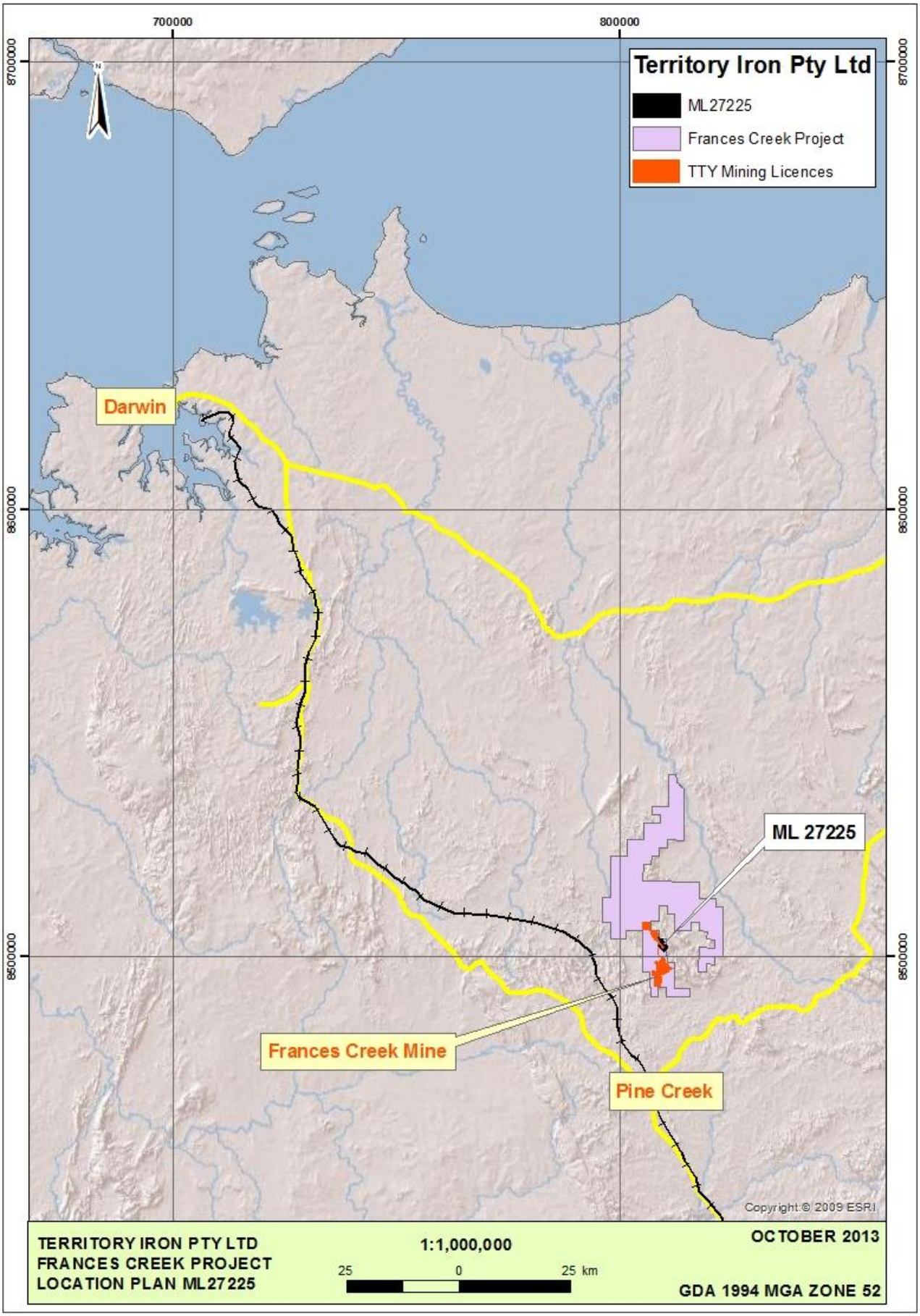

Figure 1: Frances Creek Project - Location Plan

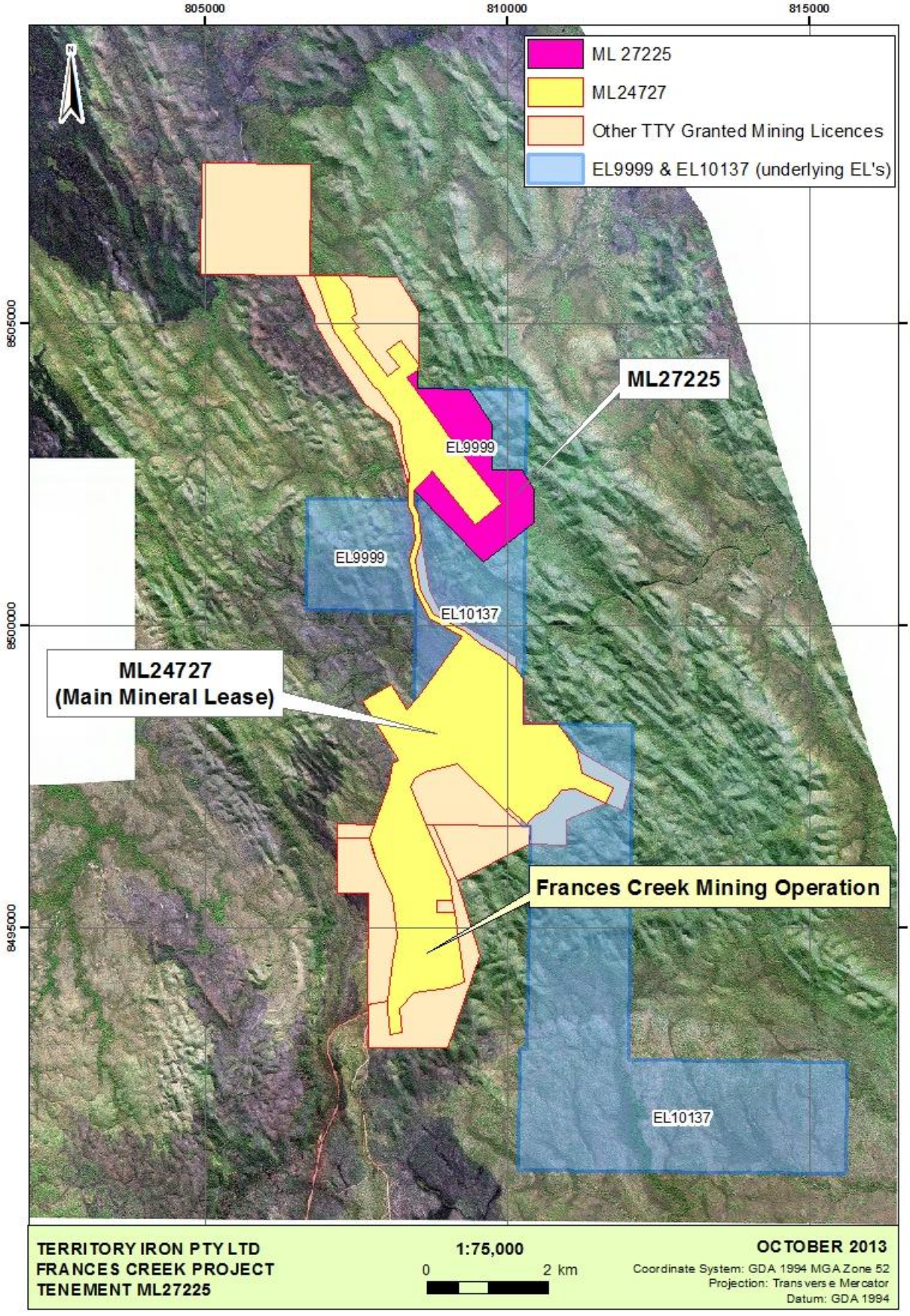

Figure 2: ML27225 Tenement Location Plan. ML27225 was granted on 17 August 2012 and was located within tenements EL10137 & EL9999

2.2 Land Tenure / Native Title

The tenement includes parts of the following land tenure:

- Ban Ban Springs Pastoral Lease

A Registered native title claim DC01/21 Ban Ban Springs, lodged on 13 March 2001, covers the tenement area.

3. LOCAL GEOLOGY

Palaeoproterozoic sediments of the Mt Partridge and the overlying South Alligator Groups occur within the tenement area. The Wildman Siltstone Formation of the Mt Partridge Group predominates while rock units of the Koolpin Formation and Gerowie Tuff occur along the western boundary of the tenement.

The Wildman Siltstone comprises two informal sequences. The lower sequence consists of carbonaceous phyllite, hematite breccias, 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 (Figure 3).

Numerous conformable 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.

4. MINERALISATION

At Frances Creek, iron ore mineralisation occurs mainly in the lower Wildman Siltstone Formation as haematite or hematite-goethite-manganese mineralisation. Hematite deposits are believed to have formed by low temperature hydrothermal replacement of brecciated

Wildman Siltstone. Breccia zones, and hence usually hematite mineralisation are frequently stratiform, with their distribution controlled by D3 folds and associated axial planar faults. Hematite-goethite-manganese deposits possibly have a similar hydrothermal origin but may have undergone extensive weathering related hydration, or may have had a sulphide rich parent rock (probably the abundant black shale units known from the region).

Gold mineralisation is known on a regional scale to occur in: the Wildman Siltstone, the middle and upper Koolpin Formation, the Gerowie Tuff and Mount Bonnie Formation, and in sills of the Zamu Dolerite which intrude the Koolpin Formation and Gerowie Tuff. Gold mineralisation within the Pine Creek Inlier is probably associated with intrusion of the syn-orogenic granites (e.g. Cullen Batholith). It is certainly feasible that the bulk of the anticline-associated vein-type deposits relate to structural re-activation of regional fold structures during intrusive events.

Possible gold mineralisation styles and targets related to these rocks are according to Goulevitch (1980): sheeted and stock-work quartz-sulphide veins systems with mineralisation preferentially associated with a strong carbonaceous and/or sulphide in the host sequence (e.g. Woolwonga, Moline) or with competency contrasts between greywacke and shale (e.g. Union Reef, Spring Hill); sediment-hosted stratiform mineralisation and quartz-sulphide vein-hosted stratabound mineralisation associated with chert iron formation and carbonaceous mudstone mainly in the Koolpin Formation (e.g. Mount Porter); stratiform, massive to banded, sulphide-silicate-carbonate mineralisation in the Mount Bonnie Formation (e.g. Mt Bonnie, Moline).

5. WORK COMPLETED FOR 2012-2013

5.1 Air Core Drilling

Aircore (AC) drilling during the reporting year totalled **2 holes** for a total of **140 metres**. AC drilling was conducted along the 'Saddles Trend' in September-October 2012, over mapped areas of hematite enrichment. The drilling was carried out by Drillwest and Johanssen Drilling. The location of the drillholes is between the previously mined Ochre Hill Deposit and the Saddles 1 prospect. A drillhole location plan is presented in Figure 3 below; corresponding data is located in Appendix 1.

6. CONCLUSIONS & RECOMMENDATIONS

A review of the AC drilling program undertaken in September - October 2012 will occur during the next years' reporting period.

It is also proposed to incorporate this Mineral Lease tenement into Territory's Combined Annual Report for the Frances Creek Project (CGR 125/09) in the next reporting period.

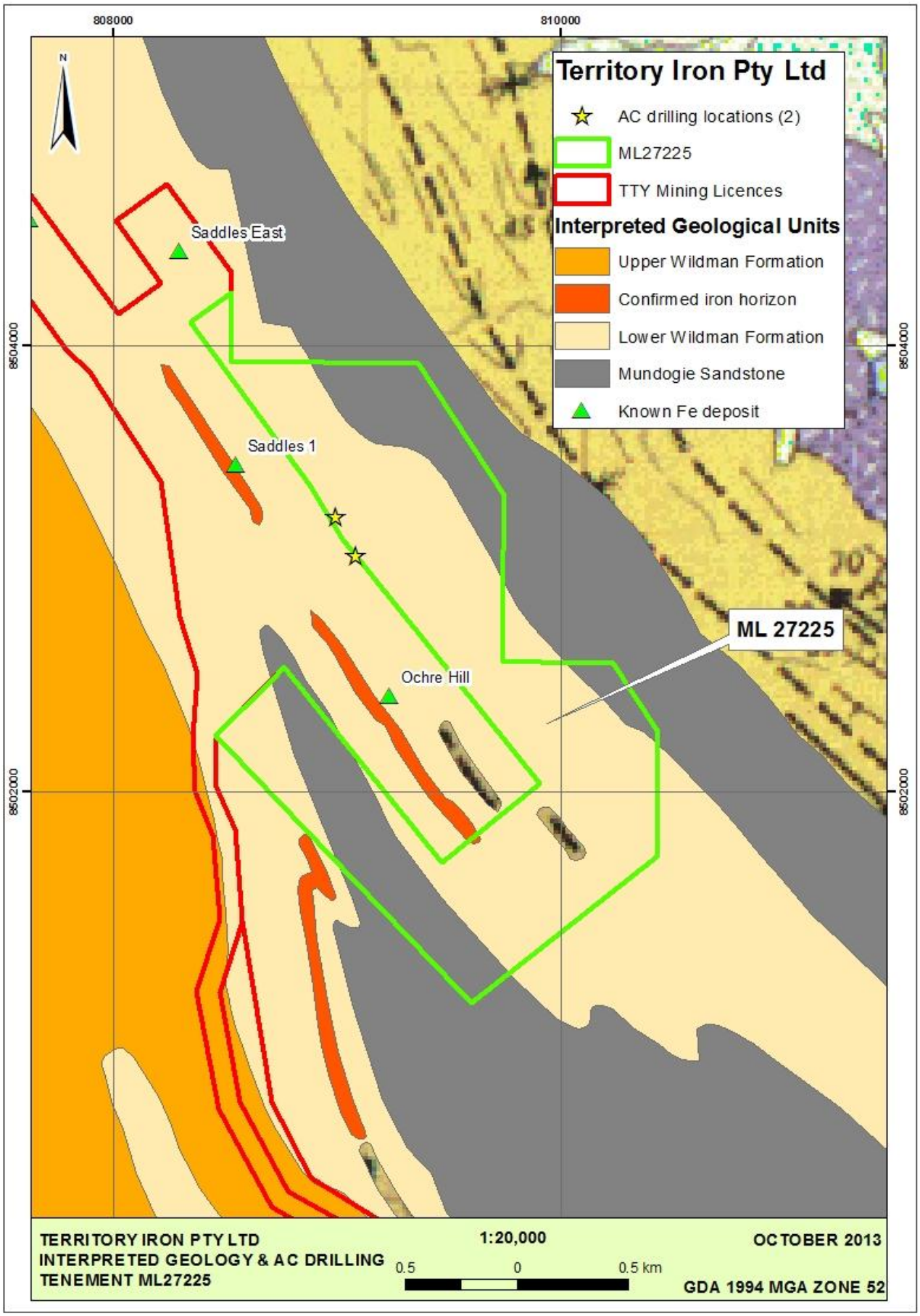

Figure 3: AC Drill location and Interpreted geology over Pine Creek and McKinley River 250k Geology Maps

APPENDIX 1

NT DME TEXT FILES
(includes verification list)