

27 July 2006

**No of Pages: 4**

Australian Stock Exchange Limited  
Company Announcements  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

**Re: Upgrade to Resources and Reserves – Date amendment**

Please find enclosed an amendment to the update of the Resource and Reserves estimates for Territory Iron's Frances Creek Project.

The date in the first header has been corrected to **July 2006**, replacing January 2006.



Doug Stewart  
Managing Director

## **RESOURCE AND RESERVES UPDATE – July 2006**

### **HIGHLIGHTS: FRANCES CREEK IRON ORE PROJECT**

- ❖ **Ore Reserves at Frances Creek’s Helene 6/7 deposit now increased to 1,060,000 tonnes at 63.0% Fe following additional drilling since April this year.**
- ❖ **At Helene 6/7 the Reserves upgrade follows an increase in total Resource tonnage to 2.85 million tonnes at 60.9% Fe; and represents a 380,000 tonne or 56% increase in Ore Reserves and a 1,770,000 tonne or 164% increase in total Resources.**
- ❖ **The Resource increase includes some 1,400,000 tonnes of Inferred material which will now form the focus for further drilling to potentially convert into Reserves. Territory Iron is confident that a further significant increase in Reserves will result from this drilling.**
- ❖ **These results substantiate the potential for defining additional iron ore tonnages along the 35km line of strike of ironstone occurrences at Frances Creek project area.**

The board of Territory Iron (**ASX: TFE**) is pleased to present a Resource and Reserves update for its Helene 6/7 deposit at the Frances Creek project located in the Northern Territory.

This update follows a recently completed Resource model and pit optimisation study completed by Snowden Mining Industry Consultants (Snowden) as a part of the ongoing assessment of drilling results.

### **FRANCES CREEK PROJECT RESOURCE UPGRADE FOR HELENE 6/7**

The Resource estimate for Helene 6/7 is an update to the January 2006 Resource Statement and follows the drilling completed since April 2006.

Table 1 details the updated Mineral Resource Estimate for the Helene 6/7 deposit by resource classification. The resources have been classified into Indicated and Inferred categories according to the 2004 JORC Code. Territory Iron has provided Snowden with the data and geological interpretations used as the basis for the estimates.

**Table 1: Helene 6/7 Resource Estimate, July 2006 at a 55% Fe cut-off**

<b>Cut-off</b>	<b>Classification</b>	<b>Million tonnes</b>	<b>Fe %</b>	<b>AL<sub>2</sub>O<sub>3</sub> %</b>	<b>SIO<sub>2</sub> %</b>	<b>P %</b>
55%Fe	Indicated	1.43	62.74	2.66	6.34	0.04
55%Fe	Inferred	1.42	58.98	3.33	8.77	0.04

The Helene 6/7 Resource was optimised based upon the Indicated Resource of 1.43 million tonnes, employing parameters and modifying factors used in the previous determination of reserves at the Frances Creek Project (release 24/01/06). As in the previous determination for

## TERRITORY IRON Limited

Helen 6/7 reserve, a pit design has not been undertaken but the reported reserve is based on a 5% reduction in ore tonnes and a 5% increase in waste tonnes within the optimised shell. The Helene 6/7 reserve is summarised in Table 2. The Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves stated in Table 2.

**Table 2: Helene 6/7 Reserve Estimate, July 2006 at a 55% Fe cut-off**

Cut-off	Classification	Million tonnes	Fe %	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P %
55% Fe	Probable	1.06	63.01	2.66	6.19	0.04

## COMPARISON WITH PREVIOUS RESOURCE AND RESERVE

A comparison with previously published Resources and Reserves for Helene 6/7 is shown in Tables 3 to 5 and Table 6 shows the total Reserves comparison.

**Table 3: Helene 6/7 Resource estimate at a 55.0% Fe Cut-off**

Date	Category	Kt	Fe%	SiO <sub>2</sub> %	P%	Al <sub>2</sub> O <sub>3</sub> %
Jan 06	Indicated	1,079	63.9	5.00	0.03	2.01
Jul 06	Indicated	1,430	62.7	6.34	0.04	2.66
Jan 06	Inferred	0	0.0	0.00	0.00	0.00
Jul 06	Inferred	1,420	59.0	8.77	0.04	3.33

**Table 4: Helene 6/7 Total Resource estimate at a 55.0% Fe Cut-off**

Date	Category	Kt	Fe%	SiO <sub>2</sub> %	P%	Al <sub>2</sub> O <sub>3</sub> %
Jan 06	Indic+Inferred	1,079	63.9	5.00	0.03	2.01
Jul 06	Indic+Inferred	2,850	60.9	7.55	0.04	2.99

**Table 5: Ore Reserve at a 55.0% Fe Cut-off**

Date	Area	Category	Kt	Fe%	SiO <sub>2</sub> %	P%	Al <sub>2</sub> O <sub>3</sub> %
Jan 06	Helene 6/7	Probable	680	63.7	5.19	0.03	2.10
Jul 06	Helene 6/7	Probable	1,060	63.0	6.19	0.04	2.66

**Table 6: Total Frances Creek Ore Reserve at a 55.0% Fe Cut-off**

Date	Area	Category	Kt	Fe%	SiO <sub>2</sub> %	P%	Al <sub>2</sub> O <sub>3</sub> %
Jan 06	Total Reserves	Probable	3,479	61.1	7.09	0.10	2.90
Jul 06	Total Reserves	Probable	3,859	61.1	7.17	0.10	2.98

This Ore Reserve falls in tenements from which Territory Iron has agreed to pay royalties to Arafura Resources. The royalties are \$1.30 per tonne of lump and \$1.00 per tonne of fines. Arafura has already received advance royalty payments of \$750,000.

**TECHNICAL NOTES – RESOURCE METHODOLOGY.**

Snowden Mining Industry Consultants ("Snowden") has completed a Mineral Resource Estimate updating the Helene 6/7 Deposit of the Frances Creek Project, one of a series of replacement shear-hosted iron deposits, of which Ochre Hill, Helene 5, Thelma, Rosemary, Jasmine East, Saddle East have been previously estimated and reported (release 14/12/05). The Mineral Resource has been tabulated above a block model cut-off grade of 55 % Fe. At an Iron cut-off of 55 % Fe, the Indicated Resource totals 1.43 million tonnes at grades of 62.74% Fe, 2.66% Al<sub>2</sub>O<sub>3</sub>, 6.34% SiO<sub>2</sub> and 0.04% P. At an Iron cut-off of 55 % Fe, the Inferred Resource totals 1.42 million tonnes at grades of 58.98% Fe, 3.33% Al<sub>2</sub>O<sub>3</sub>, 8.77% SiO<sub>2</sub> and 0.04% P.

The resources have been classified into Indicated and Inferred categories according to the 2004 JORC Code. Territory Iron has provided Snowden with the data and geological interpretations used as the basis for the estimates. Snowden has reviewed the drilling and sampling data underlying the resource estimate, and, following suitable adjustments, can verify that the data is of sufficient quality to support the resource classifications. Snowden has not undertaken a site visit as part of the estimation process. Snowden considers that Territory Iron should be able to increase the confidence and size of the resource through additional drilling.

Snowden used ordinary block kriging to estimate Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, CaO, MgO, S, TiO<sub>2</sub>, K<sub>2</sub>O, Mn and LOI into a constrained block model reflecting the interpreted geology. Where appropriate, grade capping was applied to some of the elements estimated. Search ellipses and ranges used in the estimation reflect the spatial continuity and geological trends of each domain. An average in situ density of 3.25 t/m<sup>3</sup> has been applied to the mineralisation, reflecting a range of determinations undertaken to date. As more density data is acquired, this value will be reviewed. Kriging neighbourhood analysis was undertaken to optimise the estimation parameters in order to minimise conditional bias in the estimate.

*The information in this Public Report that relates to Mineral Resources is based on, and accurately reflects, information compiled by Mr. Bob Vivian of Territory Iron Limited who is a Member of The Australian Institute of Geoscientists, and Mr. Michael Andrew of Snowden Mining Industry Consultants, who is a Member of The Australasian Institute of Mining and Metallurgy. The information in this Public Report that relates to Mineral Reserves is based on, and accurately reflects, information compiled by Mr. Doug Stewart of Territory Iron Limited who is a Fellow of The Australasian Institute of Mining and Metallurgy. Messrs Vivian, Andrew and Stewart have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.*

*The Authors consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.*