

27 July 2006

No of Pages: 13

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

Re: Fourth Quarter Activities and Cash Flow Report – Reserves and Resources Upgrade

Please find enclosed the June 2006 Quarterly report for Territory Iron Limited.

A handwritten signature in blue ink, appearing to read 'D. Stewart'.

Doug Stewart
Managing Director

ACTIVITIES REPORT – June 06

HIGHLIGHTS

❖ **Drilling at Frances Creek Increases Resources and Reserves**

Drilling has resumed at Frances Creek during the quarter as part of this year's \$2.6 million plan to add to the current resources and reserves by further exploration. Over 9,000 meters has been drilled to date.

A revision of Ore Reserves for Helene 6/7 has increased Reserves to 1,060,000 tonnes at 63.0%Fe from 680,000 tonnes at 63.7%Fe. It is anticipated that Reserves will further increase as drilling scheduled for August 2006 targets Inferred Resources both within and adjacent to the pit. This high quality ore will improve the overall ore quality for the project.

The total Resource tonnage at Helene 6/7 has now been increased to 2.85 million tonnes at 60.9% Fe from 1.08 million tonnes at 63.9%Fe.

❖ **Aeromagnetic Survey completed over northern section of tenements**

The survey is showing several targets for drill test follow up.

❖ **Shares issue for \$12.6m Capital Raising approved.**

At the EGM held on 23 May 2006, shareholders ratified the board's placement of 15 million shares and approved the issue of a further 20 million shares to complete the raising of \$12.6 million. The shares were priced at 36c. Total shares on issue are now 135 million.

❖ **Engineers Appointed for Port Infrastructure.**

Engineers have been appointed to undertake detailed design and construction for the conveyor facilities at the Darwin Port.

❖ **Key personnel in place.**

Key management personnel have now been appointed in mining and accounting.

FRANCES CREEK PROJECT

Drilling at Frances Creek commenced on April 18th – Resources and Reserves increased.

Drilling commenced at Frances Creek in mid April and over 9,000 meters have been drilled to date. Results are particularly encouraging for Helene 6/7 where extensions to the mineralisation are evident. In addition, the Helene 1 to Helene 4 ironstone line is showing thick shallow intersections of higher grade mineralisation. Current drilling is confirming extensions at Jasmine East deposit.

Snowden consultants have re-modelled the Helene 6/7 orebody and substantial increases in resources are evident. Pit optimisation work has been completed to upgrade the reserves

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TERRITORY IRON Limited

estimate at Helene 6/7. Considerable Inferred Resource category mineralisation is present within and outside the optimised pit which suggests that further drilling of this mineralisation to an Indicated Resource category will likely add to the reserves. This drilling is scheduled for mid August.

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 assay 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

Cut-off	Classification	Million tonnes	Fe %	AL ₂ O ₃ %	SIO ₂ %	P %
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 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 in Table 1 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 ₂ O ₃ %	SIO ₂ %	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 ₂ %	P%	Al ₂ O ₃ %
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 ₂ %	P%	Al ₂ O ₃ %
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 ₂ %	P%	Al ₂ O ₃ %
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 ₂ %	P%	Al ₂ O ₃ %
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 referring to the Resources upgrade were reported in an announcement published on the ASX on 27th June 2006.

Drilling Update

Figure 1: Drilling locations – 2006 Highlighted

Drilling has been focused on improving the Helene 6/7 reserves and on probing the Helene 1 to Helene 4 line. In addition, drilling has been done at Thelma Rosemary and Jasmine East amongst others. See Figure 1 which shows recent and previous drilling.

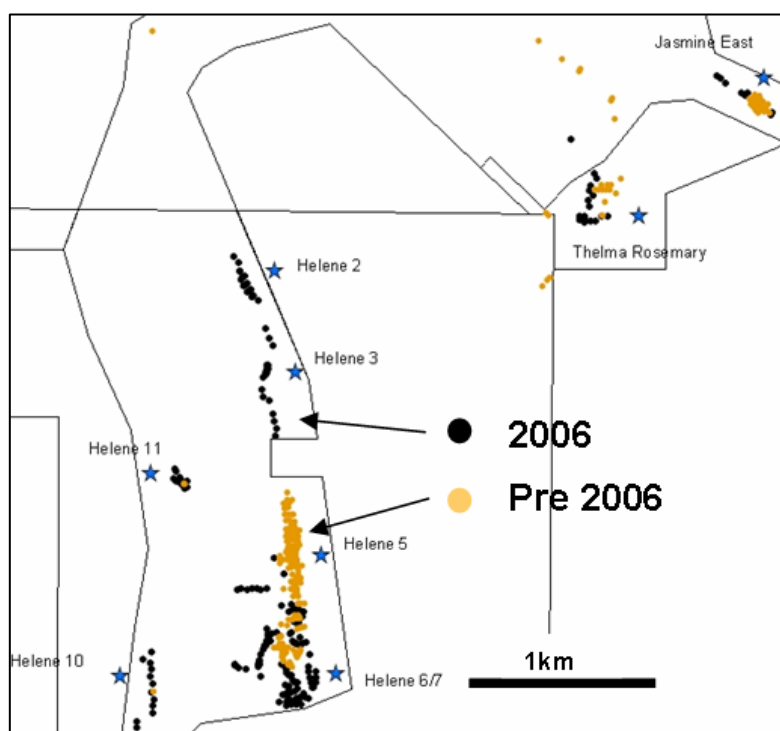
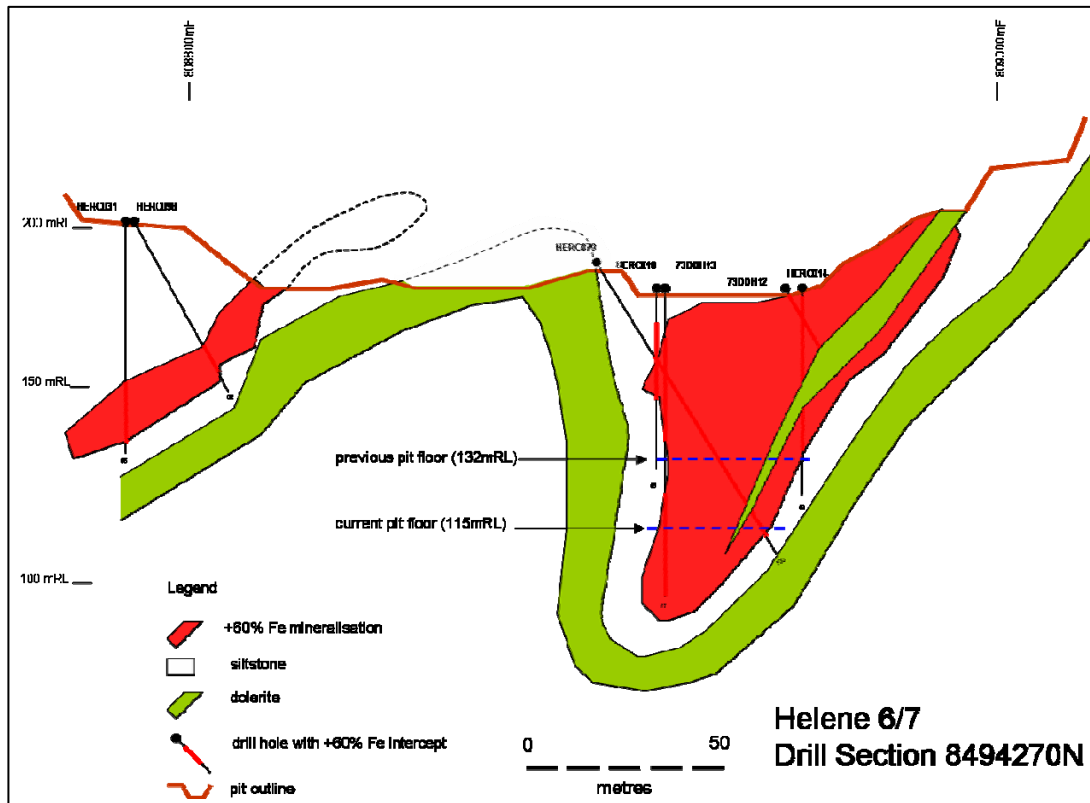


Table 7: Previously Reported drill results to 17 July

Best results	Hole_ID	From	To	Interval	%Fe	%P	% Al ₂ O ₃	SiO ₂	LOI
<i>Helene 6/7</i>	HERC041	42	79	37	65.9	0.02	1	3.82	0.55
<i>Helene 6/7</i>	HERC079	38	75	37	67.4	0.02	0.82	1.96	0.44
<i>Helene 6/7</i>	HERC052	14	42	28	67.0	0.04	0.98	2.22	0.57
<i>Helene 6/7</i>	HERC046	90	117	27	64.1	0.03	2.07	4.61	0.75
<i>Helene 6/7</i>	HERC040	30	56	26	66.0	0.03	1.11	3.65	0.58
<i>Helene 6/7</i>	HERC064	53	73	20	64.6	0.04	1.95	4.14	0.87
<i>Helene 6/7</i>	HERC061	88	106	18	63.8	0.02	2.03	5.46	0.67
<i>Helene 6/7</i>	HERC063	128	145	17	65.2	0.03	1.4	4.11	0.49
<i>Helene 6/7</i>	HERC077	84	101	17	64.3	0.03	1.98	4.94	0.68
<i>Helene 6/7</i>	HERC039	19	35	16	66.0	0.08	1	3.39	0.87
<i>Helene 6/7</i>	HERC051	3	18	15	59.8	0.09	4.96	6.45	2.15
<i>Helene 6/7</i>	HERC057	40	53	13	64.6	0.06	1.83	4.37	0.8
<i>Helene 6/7</i>	HERC062	66	79	13	65.3	0.04	1.57	4.1	0.46
<i>Helene 6/7</i>	HERC047	75	87	12	65.4	0.03	1.46	3.72	0.52
<i>Helene 6/7</i>	HERC055	45	57	12	61.3	0.09	2.43	8.06	1.08
<i>Helene 6/7</i>	HERC033	29	40	11	62.3	0.09	3.09	5.7	0.95
<i>Helene 6/7</i>	HERC056	0	11	11	66.1	0.04	1.38	2.85	0.68
<i>Helene 6/7</i>	HERC053	31	41	10	63.4	0.06	1.55	6.05	0.79
<i>Helene 6/7</i>	HERC054	15	25	10	66.1	0.04	1.56	2.76	0.69
<i>Helene 6/7</i>	HERC075	47	57	10	59.9	0.06	3.8	8.14	1.04
<i>Helene 6/7</i>	HERC031	37	45	8	61.5	0.05	3.4	6.43	0.95
<i>Helene 2</i>	FCRC170	21	31	10	64.5	0.1	2.09	3.69	0.89
<i>Helene 2</i>	FCRC171	22	29	7	65.8	0.09	1.14	2.54	1.15
<i>Helene 2</i>	FCRC169	26	32	6	65.2	0.07	1.72	3.15	0.77
<i>Helene 2</i>	FCRC173	2	8	6	67.2	0.06	1.07	1.82	0.67
<i>Helene 2</i>	FCRC168	29	34	5	64.2	0.13	2.33	3.49	1.24
<i>Helene 1 to 4</i>	FCRC209	10	29	19	67.6	0.04	0.73	1.6	0.5
<i>Helene 1 to 4</i>	FCRC216	10	29	19	62.2	0.12	3.34	5.13	1.33
<i>Helene 1 to 4</i>	FCRC220	5	23	18	65.6	0.08	1.69	2.64	0.96
<i>Helene 1 to 4</i>	FCRC205	13	29	16	67.6	0.07	0.72	1.1	0.68
<i>Helene 1 to 4</i>	FCRC213	31	47	16	66.8	0.07	1.25	2.28	0.54
<i>Helene 1 to 4</i>	FCRC207	11	27	16	66.0	0.06	1.55	2.19	0.8
<i>Helene 1 to 4</i>	FCRC198	24	38	14	58.0	0.07	4.43	9.46	1.22
<i>Helene 1 to 4</i>	FCRC221	8	19	11	65.4	0.11	1.66	2.8	0.93
<i>Helene 11</i>	FARC006	15	19	4	59.4	0.21	4.32	6.52	1.32
<i>Helene 11</i>	FARC006	42	45	3	61.0	0.17	3.9	5.38	1.39
<i>Thelma Rosemary</i>	TRRC097	94	108	14	59.8	0.15	4.11	6.95	1.68
<i>Thelma Rosemary</i>	TRRC088	108	118	10	60.8	0.13	3.65	6.66	1.38

Significant Intercepts calculated using a lower cutoff of 52.5%Fe, and up to 2m internal dilution with 58.0 % Fe cut-off used for intervals.

Figure 2: Section through Helene 6/7



A section through the Helene 6/7 orebody showing vertical depth of ore at some 100m and width of some 50m in places is illustrated in Figure 2.

Aeromagnetic Survey completed over northern region of tenements

Preliminary processing of the recently flown aeromagnetic survey has been completed and shows a number of prospective targets associated with the iron prospective Wildman Siltstone in the northern region.

This region is relatively unexplored with scant geological information and the initial task will be to undertake mapping of ironstone outcrops to refine and prioritise targets for follow up drill testing.

Access has been established into the area and ground activities will commence next quarter.

GENERAL MEETING OF SHAREHOLDERS - Held on 23 May 2006

This meeting was held to ratify the placement of 15 million shares at 3c and approve the issue of a further 20 million shares at 36c to raise \$12.6 million. In addition, approval was sought for options to be issued to the Chairman, Managing director and one other board member Ms Julie Wolseley. An employee share options plan was also submitted for approval.

All 6 proposals were approved at the General Meeting:

1. Share placement facility
2. Ratification of share placement
3. Issue of options to Mr David Macoboy
4. Issue of options to Ms Julie-Anne Wolseley
5. Issue of options to Mr Doug Stewart
6. Approval of Territory Iron Limited Employee Share Option Plan

Details have been provided in previous announcements.

The Company now has 135 million shares on issue and 6 million options at varying exercise prices and expiry dates.

OTHER PROGRESS

- With respect to Native Title issues, Territory Iron has advanced its discussions with the NLC and Traditional Owners to the point of an agreement in principal. Legal details are now being drafted.
- Discussions with the Darwin Port Corporation with respect to developing facilities at the port and using the existing and future infrastructure are progressing.
- Discussions with FreightLink with respect to rail freight are well advanced.
- Work on mine contracts is well advanced, the mine planning details including staged pit and dump designs are complete and detailed scheduling has been undertaken. Any change in Reserves will alter this scheduling.
- Contractors have been signed up to complete design of the conveyor system at the Darwin Port.



Doug Stewart
Managing Director

Resource and Reserves estimates have been previously reported to the ASX (27 July 2006). The information in this Public Report that relates to Mineral Resources and Mineral Reserves 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, Mr. Doug Stewart of Territory Iron who is a Fellow of the Australasian Institute of Mining and Metallurgy ("Authors"). The authors 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 Competent Persons 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001

Name of entity

TERRITORY IRON LIMITED

ABN

53 100 552 118

Quarter ended ("current quarter")

30 June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(149)	(3,244)
(b) development	-	-
(c) production	-	-
(d) administration	(393)	(1,055)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	84	446
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	3	3
Net Operating Cash Flows	(456)	(3,851)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(2)	(437)
(b)equity investments		
(c) other fixed assets	(983)	(1,029)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(985)	(1,466)
1.13 Total operating and investing cash flows (carried forward)	(1,441)	(5,317)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,441)	(5,317)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	11,961	11,961
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	11,961	11,961
	Net increase (decrease) in cash held	10,520	6,644
1.20	Cash at beginning of quarter/year to date	4,808	8,684
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	15,328	15,328

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	35
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.14 During the March quarter the company reached agreement to place 35 million ordinary shares at 36 cents each to raise \$12.6 million before costs to fund the development of the company's Frances Creek iron ore project. 15 million of these shares were issued on 24 April in terms of the company's ability to place 15% of its share capital without prior shareholder approval. The issue of the balance of 20 million shares was subject to shareholder approval at a meeting called for 23 May 2006. The cash inflows from these issues have been reflected for the quarter ended 30 June 2006.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	
3.2 Credit standby arrangements	Nil	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,397
4.2 Development	2,265
Total	3,662

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	28	421
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Bank Term Deposits	15,300	(4,387)
Total: cash at end of quarter (item 1.22)	15,328	(4,808)

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL24445	Interest in tenement relinquished	100%	-
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	135,000,000	92,701,725	-	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	15,000,000 20,000,000	- -	36c 36c	Fully Paid Fully Paid
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,500,000 1,000,000 1,600,000 450,000 450,000		<i>Exercise price</i> 25c 20c 40.15c 50c 60c	<i>Expiry date</i> 1 March 2009 11 Sep 2007 20 June 2009 20 June 2009 20 June 2009
7.8 Issued during quarter	1,600,000 450,000 450,000		40.15c 50.00c 60.00c	20 June 2009 20 June 2009 20 June 2009
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: _____
(Company secretary)

Date 27 July 2006

Print name: Peter Rutledge

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.