



Territory Iron Limited
PO Box 158
WEST PERTH WA 6872
Phone: 08 9483 5100
Fax: 08 9483 5111
E-mail: admin@territoryiron.com.au

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MEDIA RELEASE

Territory Iron signs MOU with Chinese Steel Mill to Take Majority of First Year Production from Frances Creek

Territory Iron Limited (**ASX: TFE**) is pleased to announce that it has signed a Memorandum of Understanding with a Chinese steel mill for the purchase of most of Territory's 2007 iron ore production from the company's Frances Creek operation in the Northern Territory.

Under the terms of the MOU, the undisclosed Chinese customer has agreed to purchase between 600,000 and 800,000 tonnes of iron ore. The Frances Creek iron ore mine is located 190 kilometres south of Darwin and is expected to commence production in early 2007 building up to an annual output of approximately 1.5 million tonnes.

Territory Iron Managing Director Doug Stewart said the price to be paid by the Chinese for the iron ore would be settled at a later date.

"No one will speculate now on what iron ore prices will be like in a year's time," Mr Stewart said. "Everyone's waiting for the current round of contract negotiations between the Chinese and major mining companies to be completed.

"Under this MOU we've agreed to negotiate the price to be paid by the Chinese at a time closer to when we begin production in 2007. We'll then have a better understanding of contract prices and the spot market in relation to contract prices. Right now, they're unknowns.

"Importantly for us, this MOU means the bulk of our first year's production from Frances Creek will be taken care of. It also means that the market is there for our product. This is an important development for the company as we progress to producing iron ore from this historic mine."

Mr Stewart recently returned from a week-long marketing trip to China where he spoke to steel mill operators and buyers. He said the market for Australian iron ore remained buoyant and that the Chinese businessmen he spoke to expected iron ore prices to go up.

Territory Iron is currently preparing to start a further round of drilling at Frances Creek and its other projects and is well funded for its 2006 exploration.



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For further information contact:

Doug Stewart
Managing Director
Territory Iron Limited
Telephone: +61 8 9483 5100
E-mail: dstewart@territoryiron.com.au

Peter Knight
Account Manager
Professional Public Relations
Telephone: +61 8 9388 0944
E-mail: pknight@pprwa.com.au

About Territory Iron

Territory Iron is an emerging iron ore producer which listed on the ASX in March 2005. The company has drilled part of the previously mined Frances Creek iron ore mine in the Northern Territory. Since the drilling, feasibility studies have indicated that the project is economic, based on advantages which include local infrastructure, bulk handling facilities being constructed at the Port of Darwin and a well-priced iron ore market.