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

Significant Upgrade to Resources and Reserves

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

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Stewart".

Doug Stewart
Managing Director
Territory Iron Limited

RESOURCE AND RESERVES UPDATE – January 06

HIGHLIGHTS

FRANCES CREEK IRON ORE PROJECT

- ❖ **Ore Reserves at Frances Creek estimated at 3.5 million tonnes at 61.1% Fe following completion of extensive drilling in 2005.**
- ❖ **Resource tonnage at Frances Creek now doubled to a total of 6.8 million tonnes at 60.6% Fe**
- ❖ **Frances Creek Resource estimate includes 1.08 million tonnes at 63.9% Fe from Helene 6/7 following drilling results conducted late in 2005.**
- ❖ **Work currently undertaken provides the Company with an indicative mine plan that is believed to be technically achievable and economically viable**
- ❖ **As only 9 of the 55 known deposits occurring along the 35km of iron prospective host rocks have been evaluated, the Company will now undertake an aggressive exploration program at other deposits during the coming field season.**
- ❖ **Territory Iron is moving towards the early completion of a Feasibility Study, with a view to commencing mining operations based on the current 3.5 million tonnes of Ore Reserves.**
- ❖ **These results provide confidence and support the aim of the Company to advance from exploration to production as quickly as possible. The Company remains well funded to continue exploration.**

The board of Territory Iron (**ASX: TFE**) is pleased to present a Resource and Reserves update for its Frances Creek project located in the Northern Territory, 200km south of Darwin.

This update follows a recently completed Resource and strategic mining study by Snowden Mining Industry Consultants (Snowden), which was carried out to assist TFE review the viability of a mining operation at the project.

Snowden was engaged by Territory Iron Limited to complete the following work as a part of the pre-feasibility studies for the Frances Creek iron ore deposits (Ochre Hill, Jasmine East, Thelma Rosemary, Helene 5, Helene 6/7) in the Northern Territory:

- pit optimisation and sensitivity analysis
- pit design
- mine scheduling.

This work, using inputs, assumptions and modifying factors as agreed with Territory Iron, was used as a basis to develop an indicative mine plan that is considered to be technically achievable and economically viable and to support the conversion of the Mineral Resource estimate to an Ore Reserve.

Territory Iron is seeking to revive the previously mined Frances Creek iron ore mine in the Northern Territory. The close proximity to Pine Creek village and to the Adelaide to Darwin rail as well as the development of bulk loading facilities at the Darwin port provide attractive infrastructure for the potential operations.

The results of the study confirmed TFE's belief that it is able to quickly advance from the exploration to production stage at this project. The Company will now fast track its plans in regard to mining at Frances Creek and will commence a production optimisation study and finalise infrastructure arrangements.

FRANCES CREEK PROJECT RESOURCE UPGRADE

Helene 6/7 upgrade

The Resource estimate for Helene 6/7 is an addition to the December 2005 Resource Statement and follows the late completion of drilling and receipt of assay results.

The Helene 6/7 Resource estimate is 1.08 million tonnes at 63.9% Fe. (See Table 1). The tonnage is in the Indicated category and represents a significant upgrade in confidence from the original 1.0 million tonnes which was in the Inferred category.

Table 1: Helene 6/7 Resource Estimate

Helene 6/7 Resource as at January 2006 at a 55.0% Fe Cut-off					
Category	Kt	Fe%	SiO ₂ %	P%	Al ₂ O ₃ %
Indicated	1,079	63.9	5.00	0.03	2.01

Revised Total Resource

The total **Frances Creek Resource** (Indicated plus Inferred) is now **6.8 million tonnes** upgraded from 3.4 million tonnes (Inferred) for the same deposits estimated in the Prospectus dated 15 February 2005. See Tables 2 and 3.

Table 2: Prospectus Resource Vs Current Resource

Resources	Feb-'05 (IPO)		Dec '05 Jan '06	
	Tonnage	Fe %	Tonnage	Fe %
Helene 5	506,000	62.2	1,458,000	59.4
Ochre Hill	660,000	58.8	1,154,000	59.4
Thelma Rosemary	311,000	61.1	881,000	63.2
Rosemary	157,000	60.3	699,000	60.2
Saddle East	106,000	59.9	101,000	58.7
Jasmine East	62,000	60.5	252,000	59.4
Thelma 2 ⁽¹⁾	194,000	63.5	194,000	63.5
Helene6/7	1,000,000	63.4	1,079,000	63.9
Millers ⁽²⁾	420,000	60.8	1,029,000	58.5
Total	3,416,000	61.5	6,847,000	60.6

⁽¹⁾ Not drilled in '05

⁽²⁾ Calcined Fe

Note: The above figures comprise all categories including Inferred. The cut-off grades for Feb '05 varied and for Dec '05 the cutoff was 55%Fe. The Millers deposit is reported at a cutoff grade of 50% Fe+Mn and the reported Fe grade is calcined Fe grade based upon the following formula: $CALFe\% = (Fe\% + 0.6LOI\% + Mn\%)$

Table 3: Resource Categories

Classification	Tonnes (Kt)	Fe (%)
Indicated	4,944	61.2
Inferred	1,903	59.3
Total	6,847	60.6

FRANCES CREEK PROJECT ORE RESERVES ESTIMATE

Snowden Mining Industry Consultants ("Snowden") completed an Ore Reserve estimate based on Indicated Resources of 4.9 million tonnes at 61.2 %Fe from Helene 5, Helene 6/7, Jasmine East, Ochre Hill, and Thelma Rosemary deposits.

This resulted in a **Reserve estimate of 3.5 million tonnes at 61.1% Fe** above a cutoff grade of 55% Fe. See Table 4.

Table 4: Ore Reserves January 2006

Territory Iron Ore Reserve as at January 2006 at a 55.0% Fe Cut-off						
Area	Category	Kt	Fe%	SiO ₂ %	P%	Al ₂ O ₃ %
Helene 5	Probable	776	59.3	8.84	0.09	3.50
Helene 6/7	Probable	680	63.7	5.19	0.03	2.10
Jasmine East	Probable	117	59.3	7.87	0.07	3.99
Ochre Hill	Probable	1,005	59.5	9.30	0.09	2.81
Thelma Rosemary	Probable	901	62.6	4.44	0.20	2.95
Total	Probable	3,479	61.1	7.09	0.10	2.90

FRANCES CREEK – ORE RESERVES STATEMENT

Introduction

Snowden Mining Industry Consultants (Snowden) has, on behalf of Territory Iron Limited (Territory), undertaken resource and strategic mining studies in order to review the viability of the Frances Creek project.

In undertaking all resource and reserve estimates, Snowden has used original resource models as developed and issued by Snowden in January 2006. The resource models allowed for internal waste dilution and a 5% ore loss was applied to ore reserves to reflect the expected mining recovery.

This statement includes a report of the Mineral Resource and Ore Reserve consistent with work completed in January 2006. The Mineral Resource and Ore Reserve have been reported at a 55.0% Fe cut-off grade.

Mineral Resource Statement

A Mineral Resource was reported in January 2006 which formed the basis of the derivation of this 'Ore Reserve' statement.

The Mineral Resource estimate listed in Table 5 is inclusive of Ore Reserves disclosed in this announcement. It was classified into Measured, Indicated and Inferred Resource categories as per the JORC Code. Table 6 shows the Inferred Resources for the same deposits. The total Indicated and Inferred Resources are 5,523,000 tonnes (excluding the previously reported Millers Resource of 1,029,000 tonnes and excluding Thelma 2 and Saddle East deposits which were not included in Reserves calculations). Thelma Rosemary refers to both Thelma Rosemary and Rosemary which are continuous.

Table 5
Mineral Resource (Indicated category)
as at January 2006 at a 55.0% Fe cut-off

Area	Category	Kt	Fe%	SiO ₂ %	P%	Al ₂ O ₃ %
Helene 5	Indicated	1240	59.5	8.62	0.100	3.45
Helene 6/7	Indicated	1079	63.9	5.00	0.030	2.01
Jasmine East	Indicated	147	59.5	7.71	0.070	3.90
Ochre Hill	Indicated	1154	59.4	9.30	0.110	2.81
Thelma Rosemary ¹	Indicated	1324	62.2	4.86	0.186	3.11
Total	Indicated	4944	61.1	6.95	0.109	2.91

Table 6
Mineral Resource (Inferred category)
as at January 2006 at 55.0% Fe cut-off

Area	Category	Kt	Fe%	SiO ₂ %	P%	Al ₂ O ₃ %
Helene 5	Inferred	218	58.5	9.57	0.110	3.77
Jasmine East	Inferred	105	59.1	8.53	0.060	3.86
Thelma Rosemary ¹	Inferred	256	60.4	6.50	0.135	3.85
Total	Inferred	579	59.4	8.02	0.112	3.82

¹ Includes Rosemary

ORE RESERVE CRITERIA

The following comments are made to explain the methodology applied to derive ore reserves for the Frances Creek project. Comments are made with reference to criteria listed in the JORC code regarding the 'Estimation and Reporting of Ore Reserves'.

MINING FACTORS/ASSUMPTIONS

Appropriate grade cutoffs, mine costs, pit slopes, product pricing and recoveries were used to determine the optimum pit limits. Pit designs were completed for 3 of the 5 deposits and adjusted pit shells were used for the remaining 2 deposits to determine the ore inventory for Reserves and mine scheduling.

The mine plan was generated to produce a lump product that would exceed an average of 60% Fe in a given period.

METALLURGICAL FACTORS/ASSUMPTIONS

The Lump:Fines ratio was estimated based on test results provided by Territory Iron. These included key relationships (regressions) between head grade and lump/fines grades (iron and key contaminants) for use in estimating product tonnage and quality from the resultant mining schedule.

Consistent with similar iron ore operations, a 100% plant or metallurgical recovery was applied.

COST AND REVENUE FACTORS

These included costs from similar operations suitably adjusted to reflect current market trends in contractor costs and included selling costs, royalties. Revenues were based on prevailing market prices.

MARKET ASSESSMENT

- The iron ore market is currently extremely robust and relatively high real prices reflect current strong worldwide demand for products. Continued predictions of increasing demand from China provides a solid basis to support project fundamentals, particularly Fe pricing.
- Products generated from mine scheduling work indicate average lump Fe grades above 60% Fe which is within current specifications for internationally traded iron ore. Fines Fe grade averages 57-58% Fe. Contaminant levels in the fines products are potentially comparatively high, with SiO₂, Al₂O₃ and P higher than desired by large Asian mills. Territory Iron is developing a marketing strategy to sell this material into 'second and third tier' buyers in China. Territory Iron believes that in the current market the product will be readily marketable, particularly to these buyers.
- Supply contracts have yet to be established or signed.
- No recent test sampling by prospective customers has been done to analyse value. However, sales of product from Frances Creek between 1967 and 1974 prove it has an established history in the marketplace.

OTHER

- All necessary studies required for permitting the mining operations are completed or underway. These include environmental, archaeological, cultural and hydrological studies amongst others.

CLASSIFICATION

- There are no Proved Ore Reserves since there are no Measured Resources.
- Probable ore reserves are tabulated by deposit, showing head grades

- Inferred resources are reported separately in the statement. Inferred resources within the Jasmine East pit shell were included as inventory for scheduling.
- Helene 5, Thelma Rosemary and Ochre Hill reserve are based on pit designs.
- Helene 6/7 and Jasmine East reserves are based on pit optimisation shell. A 2% reduction in ore tonnes and 2% increase in waste tonnes was applied to these 2 deposits based on a review of ‘optimisation to design’ conversion from the other three deposits.

AUDITS OR REVIEWS

- Internal reviews have been completed on the Ore Reserve estimate by competent Snowden personnel.

RELATIVE ACCURACY/CONFIDENCE

- The study is considered to be at a ‘pre-feasibility’ level which suggests that estimates could be enhanced through more detailed work.
- The accuracy of the estimate is largely dependant on the quality of sampling data derived from drilling activities and the methodologies applied to the subsequent processing such data in the resource and reserve estimates. No concerns exist relating to data quality or its application to current estimates.
- No quantitative assessment has been completed to establish relative confidence in estimates
- Detailed optimisation scheduling was conducted using MineMAX software to optimise project value based on agreed constraints associated with product specifications, production rates and stockpile levels. The scheduling work confirms the potential to produce lump and fines products at the desired rate and specification throughout project life. In Snowden’s opinion, this adds to project confidence.

ORE RESERVE STATEMENT

An Ore Reserve statement is provided in Table 7 with reference to ore reserve categories. Inferred Resources within each pit shell or design are provided for reference only.

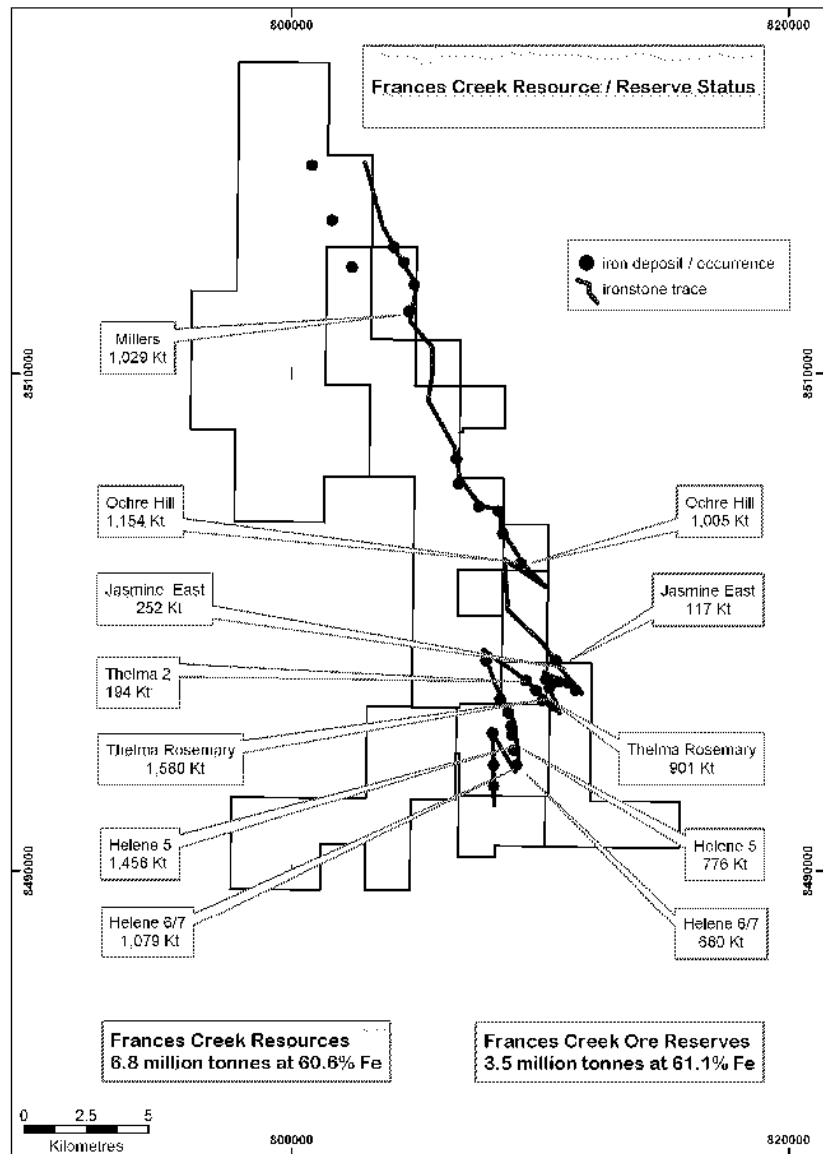
Table 7
Territory Iron Ore Reserve
as at January 2006 at a 55.0% Fe cut-off

Area	Category	Kt	Fe%	SiO ₂ %	P%	Al ₂ O ₃ %
Helene 5	Probable	776.5	59.3	8.84	0.090	3.50
Helene 6/7	Probable	679.5	63.7	5.19	0.033	2.10
Jasmine East	Probable	117.3	59.3	7.87	0.066	3.99
Ochre Hill	Probable	1004.6	59.5	9.30	0.088	2.81
Thelma Rosemary	Probable	900.8	62.6	4.44	0.195	2.95
Total	Probable	3478.8	61.1	7.09	0.105	2.90

Of this Ore Reserve, some 2.5 million tonnes fall 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.

The following Figure shows the location of some of the known iron deposits and the location of the deposits for which Resource and Reserve estimates have been prepared.

Figure 1: Deposits Location



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. Michael Andrew and Andrew Caruso of Snowden Mining Industry Consultants ("Authors"), who are members of The Australasian Institute of Mining and Metallurgy. 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.

Territory Iron is an emerging iron ore producer seeking to revive the previously mined Frances Creek iron ore mine in the Northern Territory. The close proximity to Pine Creek village and to the Adelaide to Darwin rail as well as the development of bulk loading facilities at the Darwin port provide attractive infrastructure for the potential operations.