

Ref: *TFE ASX Drilling update 11 Sep 06 final*

10 September 2006

Australian Stock Exchange Limited

Company Announcements

Level 10, 20 Bond Street

SYDNEY NSW 2000

No of Pages: 5

Re: **Territory Iron Update – Drilling Results**

Please find enclosed an announcement providing an update on Territory Iron's Frances Creek iron ore project in the Northern Territory.

A handwritten signature in blue ink, appearing to read "D. STA." with a stylized flourish.

Doug Stewart
Managing Director

ASX RELEASE – 11 SEPTEMBER 2006

HIGHLIGHTS

- **Helene 2 to Helene 4 shaping up with good thickness and grade: Averages are:**

<i>Interval</i>	<i>%Fe</i>	<i>%P</i>	<i>%Al2O3</i>	<i>%SiO2</i>
10.3m	64.3	0.08	2.13	3.92

- **Helene 6/7 drilling confirms the geological model and indicates reasonable expectation of additional Reserves.**
- **Modest increase expected in the Jasmine East Reserve tonnes.**
- **Initial results from the drilling of the Helene 9 and 11 magnetic anomalies are mixed and require follow up. The northern end of Helene 9 remains open with good mineralisation.**
- **Regional evaluation of aeromagnetic targets has commenced with mapping and sampling of the 16 priority targets identified so far. Drill testing will follow and is expected to be completed by November.**

FRANCES CREEK PROJECT

Exploration drilling continues at Frances Creek with a total of 133 RC holes for 6,791m drilled since 1 July. A total of 15,500m has been drilled since commencement of this year's field season in April (Figure 1).

Positive results were achieved from resource delineation drilling which focussed on extensions to the known ore bodies scheduled for mining in 2007.

Best results at Helene 6/7 include: 10m at 63.2% Fe, 0.04% P from 43m depth in hole HERC099, and 15m at 64.2% Fe, 0.06% P from 62m depth at Helene 5. Further results from mine scheduled areas are detailed in Table 1.

The work confirms geological interpretations and the robustness of the resource model at Helene 6/7, while mine optimisation studies have identified that a substantial proportion of the 1.42 million tonnes Inferred Resource occurs within the optimised Helene 6/7 pit design.

Drilling is now focussing on this in-pit Resource tonnage and management is confident that a large proportion of it will convert into further Reserves. A Resource/Reserve upgrade will be available in October once drilling is completed later this month.

At Jasmine East drilling indicates the orebody extends westwards to the Jasmine Central abandoned pit, though mineralisation is generally thinner here and only a modest increase in Jasmine East reserve tonnage can be expected on re-modelling and pit optimisation (Table 1).

Exploration emphasis has now turned to evaluating near mine site and regional, magnetic and ironstone targets. To date the bulk of the drilling has concentrated on the 900m extent of ironstone outcrop between the old Helene 2 to Helene 4 pits where 67 first pass scout drill holes at 40-80m line spacing has recently tested this area. Results confirm the potential for a significant resource tonnage in this area.

Figure 1 - Frances Creek Drilling 2006

Based on a 52.5% Fe cut-off and a 2m minimum width cut-off, grades range from 54.6 to 67.9% Fe over widths varying from 3 to 19 metres. Iron mineralisation is high grade and similar in quality to Helene 6/7 mineralisation.

Selected best results from Helene 2 to Helene 4 include: 19m at 67.6% Fe, 0.04% P from 10m in hole FCRC209, and 19m at 62.2% Fe, 0.12% P from 10m in hole FCRC 216. Further results are detailed in Table 2.

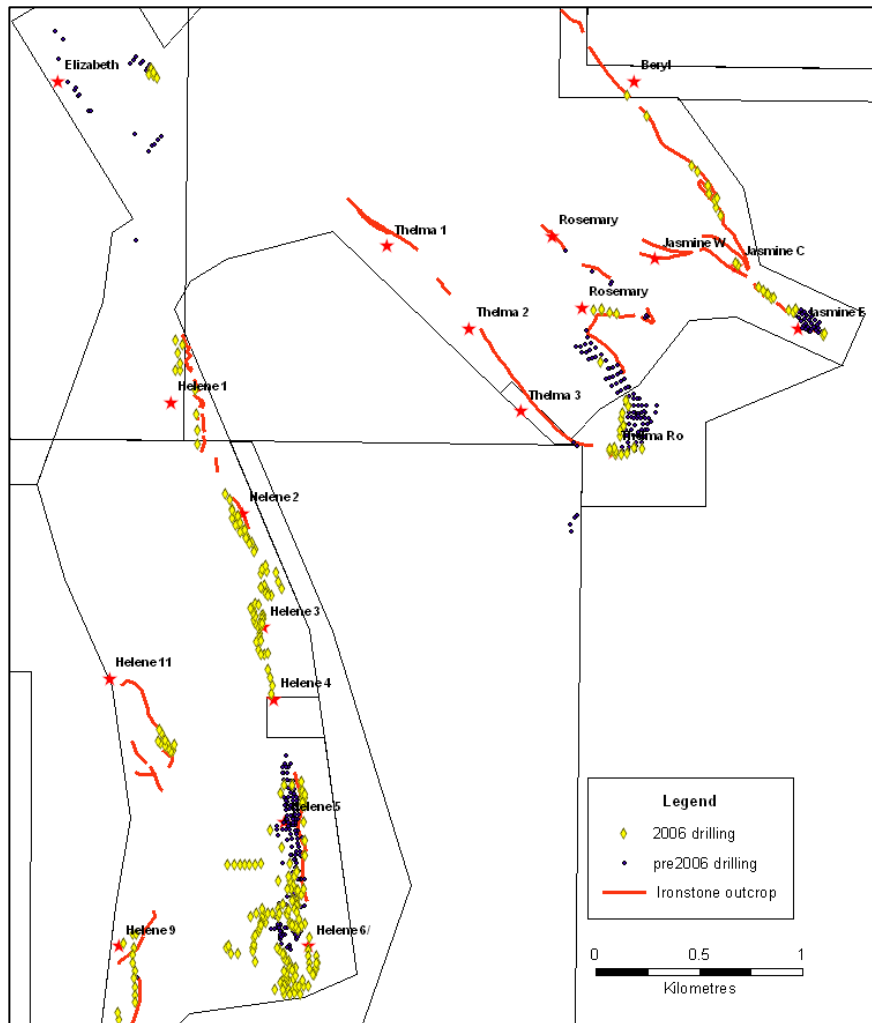
Insufficient drilling has been undertaken to date to determine average grade, thickness and tonnage for Helene 2 to 4 mineralisation. A resource estimate will be available next month once the second pass infill drilling currently underway is completed.

Results from drill testing the Helene 11 and 9 magnetic anomalies and coincident ironstone outcrop prospects are promising. The Helene 11 magnetic anomaly and ironstone outcrop extend over 500m with first pass drilling (FARC04-14) completed on the southernmost 200 metres. Haematite-goethite mineralisation up to 15m wide with iron grades ranging from 55-64% Fe was intersected by the drilling (Table 2).

At Helene 9 results from first pass drilling (FARC015-26) along about 400m of the 800m extent of this anomaly/outcrop were generally disappointing with 3m or less widths characterising iron mineralisation here. However, the two northernmost holes (FARC015 and 16) were more promising and intersected 14m and 8m widths grading 60% and 65% Fe.

Mineralisation remains open to the north of these two holes and first pass drilling will step out from these holes to test northwards along the remaining Helene 11 anomaly/outcrop extent.

Evaluation of regional magnetic and outcrop targets has just recently commenced with ground truthing of the 74 magnetic anomalies, including 16 high priority anomalies, identified from the airborne magnetic survey completed in April/May. This follow-up work comprises ironstone outcrop mapping and geochemical rock chip sampling. A number of targets have already been identified for drill testing. It is planned to complete this work prior to close of this year's field season.



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**Table 1-Drill Assay Results – Frances Creek Iron Ore Project
SCHEDULED MINE AREAS**

Deposit	Hole_ID	From	To	Interval	%Fe	%P	%Al2O3	%SiO2	%LOI
Helene 6/7	HERC081	26	32	6	58.8	0.12	3.6	9.1	2.06
Helene 6/7	HERC082	19	25	6	56.5	0.23	5.5	7.3	5.02
Helene 6/7	HERC087	46	56	10	59.7	0.19	3.5	8.3	1.73
Helene 6/7	HERC088	45	53	8	63.4	0.12	2.3	4.9	1.49
Helene 6/7	HERC089	25	30	5	55.9	0.09	6.8	9.3	2.45
Helene 6/7	HERC092	13	18	5	63.8	0.02	1.3	6.6	0.74
Helene 6/7	HERC093	21	28	7	65.8	0.03	1.5	3.5	0.68
Helene 6/7	HERC099	43	53	10	63.2	0.04	2.7	5.4	0.86
Helene 6/7	HERC101	9	13	4	61.7	0.02	3.8	6.1	1.15
Helene 6/7	HERC102	15	24	9	61.8	0.04	3.5	6.0	1.2
Helene 6/7	HERC104	25	30	5	55.6	0.05	4.5	13.1	1.38
Helene 6/7	HERC107	34	38	4	65.0	0.03	2.0	3.5	0.87
Helene 6/7	HERC108	42	46	4	65.4	0.04	1.7	3.3	0.8
Helene 5	FCRC178	29	33	4	60.2	0.09	3.3	7.8	1.65
Helene 5	FCRC181	50	54	4	61.8	0.33	2.8	4.8	2.12
Helene 5	FCRC181	66	72	6	61.3	0.07	4.2	5.9	1.67
Helene 5	FCRC183	37	45	8	59.2	0.18	3.4	8.8	1.68
Helene 5	FCRC185	64	69	5	61.0	0.05	3.3	7.5	0.92
Helene 5	FCRC187	101	105	4	60.2	0.18	2.9	7.2	1.12
Helene 5	FCRC226	24	29	5	64.7	0.04	2.1	4.0	0.83
Helene 5	FCRC227	62	77	15	64.2	0.06	1.5	5.1	0.67
Helene 5	FCRC239	53	62	9	61.0	0.34	2.9	6.2	1.22
Helene 5	FCRC245	34	38	4	59.9	0.1	3.0	9.3	1.08
Helene 5	FCRC246	30	35	5	55.7	0.13	4.9	11.8	1.83
Helene 5	FCRC247	11	20	9	59.1	0.14	4.2	7.7	1.66
Helene 5	FCRC249	39	46	7	57.2	0.16	4.8	10.3	1.78
Helene 5	FCRC252	46	50	4	61.8	0.04	2.7	7.0	0.74
Helene 5	FCRC252	51	57	6	58.6	0.11	3.7	9.2	1.66
Jasmine	JERC039	34	39	5	60.6	0.1	3.6	7.1	1.21
Jasmine	JERC041	33	43	10	60.3	0.12	3.0	8.4	1.01
Jasmine East	JERC030	7	16	9	60.6	0.08	3.35	7.32	1.27
Jasmine East	JERC037	59	69	10	58.4	0.04	4.9	8.24	1.04
Thelma Rosemary	TRRC100	59	66	7	61.8	0.24	3.16	5.44	1.35

A 52.5 % Fe Cut-off grade was used in the above average grade calculation; average grade may include up to 2m internal dilution from sub cut-off grade material; results with 4m or greater intervals are shown in the above table. Only interval grades >55% Fe reported.

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**Table 2-Drill Assay Results – Frances Creek Iron Ore Project
NEAR MINE SITE & REGIONAL PROSPECT AREAS**

Deposit	Hole_ID	From	To	Interval	%Fe	%P	%Al2O3	%SiO2	%LOI
Helene 11	FARC008	6	13	7	63.9	0.03	2.2	4.5	0.87
Helene 11	FARC010	23	29	6	56.8	0.25	5.3	8.3	1.59
Helene 11	FARC013	3	18	15	55.0	0.24	5.1	10.2	2.08
Helene 11	FARC014	12	21	9	59.2	0.08	4.1	8.0	1.36
Helene 9	FARC015	12	26	14	60.0	0.1	2.6	5.6	2.28
Helene 9	FARC016	4	19	15	60.4	0.06	3.0	6.3	2.19
Helene 9	FARC023	15	19	4	55.3	0.28	2.6	5.5	11.03
Helene 3	FCRC204	44	53	9	63.6	0.11	2.3	4.1	1.41
Helene 3	FCRC205	13	29	16	67.6	0.07	0.7	1.1	0.68
Helene 3	FCRC206	10	19	9	60.5	0.09	4.1	6.4	1.48
Helene 3	FCRC207	11	27	16	66.0	0.06	1.6	2.2	0.8
Helene 3	FCRC208	5	13	8	66.6	0.05	1.1	2.6	0.53
Helene 3	FCRC209	10	29	19	67.6	0.04	0.7	1.6	0.5
Helene 3	FCRC210	31	35	4	67.9	0.06	0.7	0.9	0.65
Helene 3	FCRC212	22	29	7	65.4	0.09	2.1	2.7	0.83
Helene 3	FCRC213	52	56	4	66.5	0.07	0.8	3.4	0.53
Helene 3	FCRC213	31	47	16	66.8	0.07	1.3	2.3	0.54
Helene 3	FCRC214	52	58	6	65.4	0.14	1.2	3.7	0.92
Helene 3	FCRC262	51	55	4	63.4	0.08	2.6	4.2	1.14
Helene 4	FCRC198	24	38	14	58.0	0.07	4.4	9.5	1.22
Helene 4	FCRC199	36	48	12	56.4	0.08	5.1	9.7	1.83
Helene 2	FCRC215	14	20	6	63.0	0.09	2.7	5.0	1.08
Helene 2	FCRC216	10	29	19	62.2	0.12	3.3	5.1	1.33
Helene 2	FCRC218	37	45	8	64.0	0.08	1.3	5.6	0.61
Helene 2	FCRC219	14	20	6	65.5	0.1	1.6	3.4	0.75
Helene 2	FCRC220	5	23	18	65.6	0.08	1.7	2.6	0.96
Helene 2	FCRC221	8	19	11	65.4	0.11	1.7	2.8	0.93
Helene 2	FCRC222	38	42	4	62.5	0.17	3.5	4.4	1.31
Elizabeth Marion	FCRC253	0	7	7	60.5	0.06	3.3	6.1	2.88
Elizabeth Marion	FCRC255	5	9	4	56.0	0.16	0.9	2.8	11.46
Elizabeth Marion	FCRC259	14	18	4	58.0	0.18	2.2	3.7	9.28

A 52.5 % Fe Cut-off grade was used in the above average grade calculation; average grade may include up to 2m internal dilution from sub cut-off grade material; results with 4m or greater intervals are shown in the above table. Only interval grades >55% Fe reported.

D. Stewart

Doug Stewart
Managing Director

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 has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration 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.

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 presently being constructed at the port of Darwin, and a well priced iron ore market.