

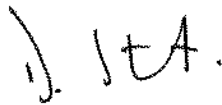
27 April 2006

**No of Pages: 4**

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

**Re: Territory Iron – March 2006 Quarterly Report**

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



Doug Stewart  
Managing Director

## ACTIVITIES REPORT – March 06

### HIGHLIGHTS

- ❖ **Additional MOU shores up first year's iron ore production from Frances Creek.** A second Memorandum of Understanding has been signed for Frances Creek Iron Ore product bringing to a total of 800,000 to 1,000,000 tonnes the tonnage of Frances Creek Iron Ore product now covered under two MOUs. This is equal to the first year's projected production.
- ❖ **Exploration at Frances Creek resumes for 2006** with early positive results from RC drilling at Helene 6/7 and Helene 2. This work forms part of an aggressive \$2.6 million exploration plan to add tonnage to current reserve inventory.
- ❖ **Frances Creek Go Ahead decision** to proceed to production announced in February 2006.
- ❖ **\$12.6m Capital Raising completed** with the placement of 35 million shares at 36c. Shareholder approval will be sought for the issue of 20 million of these shares at a Shareholders' meeting on 23rd of May. This capital raising will ensure the Company has sufficient capital to move into production.
- ❖ **Key personnel in place.**  
Senior mining and accounting management personnel critical to the success of the Frances Creek mining operations, due to commence at the end of this year, have now been appointed.

### FRANCES CREEK PROJECT

#### ***A second MOU signed for sale of Frances Creek Iron Ore***

Territory Iron completed an initial marketing visit to China during which a Memorandum of Understanding for the purchase of most of Territory Iron's 2007 iron ore production was signed with a Chinese Steel mill. The agreement is to take ore at the quality produced by Territory Iron from its Frances Creek operation in the Northern Territory.

Subsequent to that MOU, a further MOU has been signed for the supply of Frances Creek product by a second Chinese steel mill. This second offer for 200,000 to 240,000 tonnes of our Y1 product together with the first offer of 600,000 to 800,000 tonnes now takes up the first year's production.

Pricing for the ore will be settled closer to the delivery date. There is a strong market expectation that iron ore prices will further increase at the conclusion of the current round of contract iron ore negotiations for 2006-07.

***Drilling commences at Frances Creek***

Exploration commenced some eight weeks earlier than last year due to drilling commencing at near-mine targets at Frances Creek where access is not as effected by the wet season.

Seventeen (17) RC holes for 665m were drilled at Helene 6/7 and Helene 2 deposits. All holes were angled at 60 degree dips into iron mineralisation to intersect the interpreted lenses so as to return approximately true mineralised thicknesses. While assay results are not yet available for this drilling, results based on drill logging are encouraging - a total of 9 holes intersected haematite mineralisation of between 5m to 16m drill thickness at the two deposits.

At Helene 6/7, drilling is targetting extensions to the 1.08 million tonnes of Indicated Resource recently reported from within the old pit. To date drilling has intersected a haematite lens up to 16m thick in the southwestern part of the pit. It forms a folded extension to the ore body delineated last year. Mineralisation remains open to the southwest and south of the pit and drilling is focussing on delineating additional resource tonnages in these areas.

At Helene 2, drilling has intersected haematite mineralisation over a strike length of about 200 metres to 34m drill depth under the old pit. Best intercept was 10m from 21m depth in hole FCRC0170. Hole FCRC0173, located on the southern perimeter of the pit, intersected 9m of haematite from 1m depth. Prospects for additional extensions along strike to the south towards Helene 3 are good and this area will be drill tested.

***Aeromagnetic Survey to be completed over Frances Creek tenements***

High resolution airborne magnetic survey over the northern Frances Creek project area was delayed by recent bad weather conditions (including cyclone Monica) and is now on track for completion by late April.

This 4,175 line kilometre survey will complete the aeromagnetic coverage of all iron ore prospective ground within the Frances Creek tenement block. It is anticipated that further high priority magnetic features associated with iron mineralisation will be generated for follow-up investigations.

***Decision to proceed to production***

Following completion of a preliminary feasibility study, the Board of Territory Iron announced in February that it had decided to commit to mining at its Frances Creek Iron ore Project in the Northern Territory. The board anticipated that a fast-track option to bring this project into production should see iron ore exported from Darwin early in the first quarter of 2007.

The Company was reviewing its options for funding and is firming up various cost items including infrastructure costs and operating contracts. The direct capital cost portion was estimated to be in the order of \$10 million with total development costs expected to be approximately \$15 million, plus contingencies. Mining, transport and crushing contractors have provided budget estimates and contracts will now be finalised. Tenders will be called for the construction of the stacker facility at the Darwin port. This facility is planned to take advantage of the bulk loader which the Northern Territory Government has commissioned and is expected to be operating by year end.

***\$12.6 million capital raising completed***

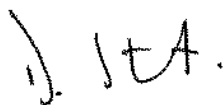
The Company announced the placement of 35 million shares at 36 cents each (to raise \$12.6 million before issue costs) to fund the development of the Frances Creek Iron Ore Mine.

The shares will be placed, subject to shareholder approval, with institutional and sophisticated clients of Euroz Securities Limited. Fifteen million of the shares have been issued under the Company's 15% placing capacity, with the balance of 20 million shares subject to the approval of shareholders at a meeting primarily called for that purpose. A Notice of Meeting has been dispatched to shareholders for the meeting to be held on 23 May 2006.

On completion of this capital raising and with existing cash reserves and a small amount of lease financing now being negotiated, the Company expects to be fully financed to production, scheduled for early next year.

***Other Progress***

- Territory Iron is conducting the relevant scientific studies for a Public Environmental Report, which will be included in the Mine Management Plan to be submitted to regulatory authorities for approval prior to mining.
- Negotiations are continuing with Northern Land Council on native title issues. These negotiations have a similar format to that in other agreements struck by the NLC.
- Final bids for the construction of the stacker facility at the port are due shortly.
- The Darwin Port Corporation has agreed to provide \$2.86 million towards the financing of the Port stacker.
- Discussions with FreightLink with respect to rail freight are well advanced.
- Key personnel have now been appointed to the positions of General Manager Operations and Senior Financial Officer.



Doug Stewart  
Managing Director

*The information in this Public Report that relates to Exploration Results 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 Vivian has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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. Mr Vivian consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.*