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Ref: ASX Activities Announcement Dec 05 b

14 December 2005

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

Initial Resource statement and Update on Activities

Please find enclosed a Resource Statement and Update on Activities for Territory Iron.

Yours sincerely

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

Doug Stewart
Managing Director
Territory Iron Limited

ACTIVITIES UPDATE – December 05

HIGHLIGHTS

FRANCES CREEK PROJECT

- ❖ **Resource tonnage at Frances Creek upgraded to 5.77 million tonnes at 60.0% Fe** from the previously reported figure of 2.42 million tonnes at 60.7% Fe.
- ❖ **This Resource estimate does not include tonnage from Helene 6/7** which previously reported at 1.0 million tonnes at 63.4% Fe. An estimate for Helene 6/7 is currently being finalised and is anticipated to be released by 31 December 05.
- ❖ **Further exploration success is anticipated next year:** 58 aeromagnetic targets, including 20 high priority drill targets, have been identified within the tenements. One hole was drilled on each of three of the more accessible targets, with all three holes intersecting significant mineralisation.
- ❖ **Metallurgical testwork is indicating that the lump material will be readily acceptable in steel mills.**
- ❖ **A Reserve Statement is anticipated early next year:** this will follow mine planning, metallurgical and reserve studies which are underway.
- ❖ **An agreement has been concluded with OM Materials (S) Pte Ltd to market the iron ore** to be produced by Territory Iron.
- ❖ **The Company has applied for several Mineral Leases and is attending to all regulatory matters pertaining to those leases.** These include environmental issues as well as discussions with the Northern Land Council.
- ❖ **A Notice Of Intent to mine has been submitted:** this will clarify the appropriate environmental studies required to be completed prior to mining. Territory Iron has commissioned various studies in anticipation of the obligatory work.
- ❖ **Discussions are underway with Darwin Port Corporation, FreightLink and mining contractors:** this covers mining and logistics issues.
- ❖ **Decision as to whether to proceed to mining operations scheduled for early next year:** this will follow a feasibility study.

RUM JUNGLE PROJECT

- ❖ Initial RAB drilling results confirm the economic prospectivity of the Yarram area.

MT BUNDEY PROJECT

- ❖ High resolution airborne magnetic survey data over the project area has identified 11 magnetic anomalies – a number of which are known to be related to iron mineralisation.

FRANCES CREEK PROJECT

RESOURCE UPGRADE

Total Frances Creek Resource (Indicated plus Inferred) has been upgraded to 5.77 million tonnes from 2.42 million tonnes (Inferred) for the same deposits estimated in the Prospectus dated 15 February 2005. This excludes the Helene 6/7 deposit (previously 1.00 million tonnes (Inferred) for which results are outstanding). See Table 1 for details.

Table 1: Prospectus Resource Vs Current Resource

Resources Deposit	Feb-'05 (IPO)		Dec-'05		Feb '05 Cumulative		Dec '05 Cumulative	
	Tonnage	Fe %	Tonnage	Fe %	Tonnage	Fe %	Tonnage	Fe %
Helene 5	506,000	62.2	1,458,000	59.4	506,000	62.2	1,458,000	59.4
Ochre Hill	660,000	58.8	1,154,000	59.4	1,166,000	60.3	2,612,000	59.4
Thelma Rosemary	311,000	61.1	881,000	63.2	1,477,000	60.4	3,493,000	60.3
Rosemary	157,000	60.3	699,000	60.2	1,634,000	60.4	4,192,000	60.3
Saddle East	106,000	59.9	101,000	58.7	1,740,000	60.4	4,293,000	60.3
Jasmine East	62,000	60.5	252,000	59.4	1,802,000	60.4	4,545,000	60.2
Thelma 2 ⁽¹⁾	194,000	63.5	194,000	63.5	1,996,000	60.7	4,739,000	60.4
Millers ⁽²⁾	420,000	60.8	1,029,000	58.5	2,416,000	60.7	5,768,000	60.0
Helene 6/7	1,000,000	63.4	na	na	3,416,000	61.5	na	na
Total	3,416,000	61.5						

⁽¹⁾ Not drilled in '05

⁽²⁾ Fe+Mn

na not yet available

Note: These figures comprise all categories including Inferred. The cut-off grades for Feb '05 varied and for Dec 05 was 55%Fe. In Feb 05 all was Inferred category.

These encouraging results follow the successful completion of field work for the year at Frances Creek. Some 16 diamond, 373 RC and 144 RAB holes for 21,648 metres were drilled in a short, but intensive 5-month period of drilling which commenced in early June.

Snowden Mining Industry Consultants ("Snowden") completed a Mineral Resource Estimate covering the Frances Creek Project, a series of replacement shear-hosted iron deposits, of which Thelma Rosemary, Rosemary, Helene 5, Jasmine East, Ochre Hill, Saddle East and Millers have been estimated to date. The Mineral Resource has been tabulated above a cut-off grade of 55 % Fe for these deposits in Table 2. The manganese rich Millers deposit is separately reported above a cut-off of 50% Fe in Table 3.

The resources have been classified into Indicated and Inferred categories according to the 2004 JORC Code.

Territory Iron has provided Snowden with the data and geological interpretations used as the basis for the estimates. Snowden has reviewed the drilling and sampling data underlying the resource estimate, and, following suitable adjustments, can verify that the data is of sufficient quality to support the resource classification. Snowden has not undertaken a site visit as part of the estimation process.

Snowden considers that Territory Iron should be able to increase the confidence and size of the resource through additional drilling.

Snowden used ordinary block kriging to estimate Fe, Al₂O₃, SiO₂, P, CaO, MgO, S, TiO₂, K₂O, Mn and Loss On Ignition (“LOI”) into a constrained block model reflecting the interpreted geology. For the manganiferous Millers deposit a ‘calcined’ Fe grade was calculated based on the estimated Fe, LOI and Mn grades, using the following formula provided by Territory Iron: $CALFe\% = (Fe\% + 0.6 \times LOI\% + Mn\%)$. The calcined iron grade reflects the grade after loss of volatiles which are expressed in the LOI value. The LOI is factored by 60% reflecting industry practice.

Where appropriate, grade capping was applied to some of the elements estimated. Search ellipses and ranges used in the estimation reflect the spatial continuity and geological trends of each domain. An average in situ density of 3.25 t/m³ has been applied to the mineralisation, reflecting a range of determinations undertaken to date. As more density data is acquired, this value will be reviewed. Kriging neighbourhood analysis was undertaken to optimise the estimation parameters in order to minimise conditional bias in the estimate.

Table 2: Frances Creek Mineral Resource Estimate, December 2005

Indicated Category					
Deposit	Kilotonnes	Fe %	Al₂O₃ %	SiO₂ %	P %
Thelma Rosemary	799	63.48	2.56	3.71	0.23
Rosemary	525	60.16	3.94	6.61	0.12
Helene 5	1,240	59.53	3.45	8.62	0.10
Jasmine East	147	59.51	3.90	7.71	0.07
Ochre Hill	1,154	59.39	2.81	9.30	0.11
Saddle East	-	-	-	-	-
Sub-Total	3,865	60.39	3.16	7.50	0.13

Inferred Category					
Deposit	Kilotonnes	Fe %	Al₂O₃ %	SiO₂ %	P %
Thelma Rosemary	82	60.44	4.10	6.21	0.21
Rosemary	174	60.37	3.73	6.63	0.10
Helene 5	218	58.48	3.77	9.57	0.11
Jasmine East	105	59.14	3.86	8.53	0.06
Ochre Hill	-	-	-	-	-
Saddle East	101	58.70	3.75	9.87	0.08
Sub-Total	680	59.33	3.81	8.30	0.11

Indic+Inferred	Kilotonnes	Fe %	Al₂O₃ %	SiO₂ %	P %
Indicated	3,865	60.39	3.16	7.50	0.13
Inferred	680	59.33	3.81	8.30	0.11
Total	4,545	60.23	3.26	7.62	0.13

These Resources are reported at a cutoff grade of 55% Fe

The high ratio of Indicated to Inferred material and the shallow nature of the deposits provides management with confidence that the percentage of Resource converted to Reserves will be high.

In addition, a Resource has been calculated for the Millers combined Fe+Mn deposit:

Table 3: Millers Deposit Mineral Resource Estimate, December 2005

Millers	Kilotonnes	Fe %	Al ₂ O ₃ (%)	SiO ₂ (%)	P (%)	Mn (%)	CALFe%*
Inferred	1,029	52.47	1.63	5.57	0.09	6.07	63.17

CALFe%= (Fe%+0.6xLOI%+Mn%) as described by Territory Iron

The Millers deposit is reported at a cutoff grade of 50% Fe+Mn

The Inferred status for Millers is a result of the wider spaced scout drilling undertaken to give maximum coverage of this deposit before close of season.

It is noted that the Helene 6/7 deposit is not yet included since that estimate is still being finalised. Management is of the view that no significant difference with the current estimated tonnage is likely to eventuate for Helene 6/7.

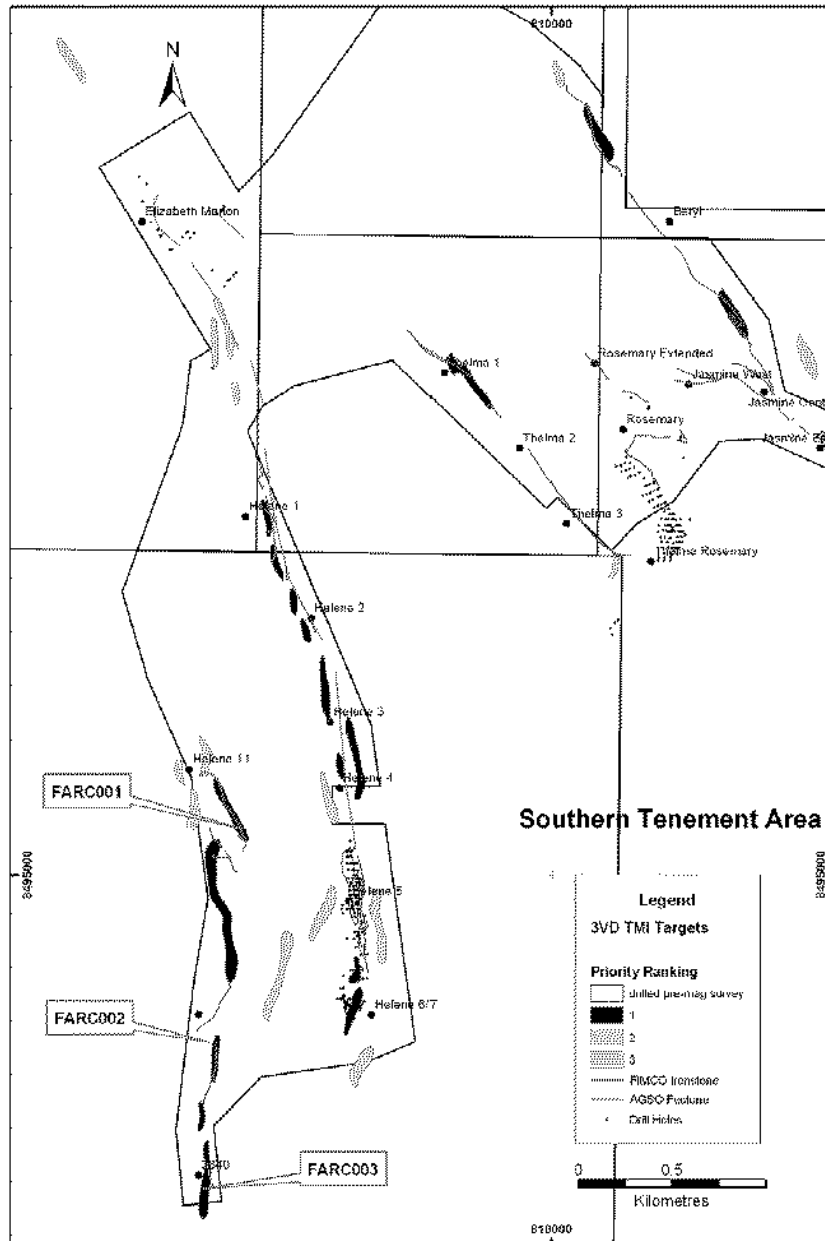
This Resource estimate does not include tonnage from Helene 6/7 which was previously reported at 1.0 million tonnes at 63.4% Fe, 194,000 tonnes at 63.5% Fe from Thelma 2. The estimate for Helene 6/7 deposit is currently being finalised and Thelma 2 has not been redrilled.

As assays become available, the estimate for Helene 6/7 will be finalised by Snowden and is anticipated before year end. The anticipated high Fe and low SiO₂, Al₂O₃ and P in Helene 6/7 material is expected to improve average specifications.

AEROMAG TARGETS

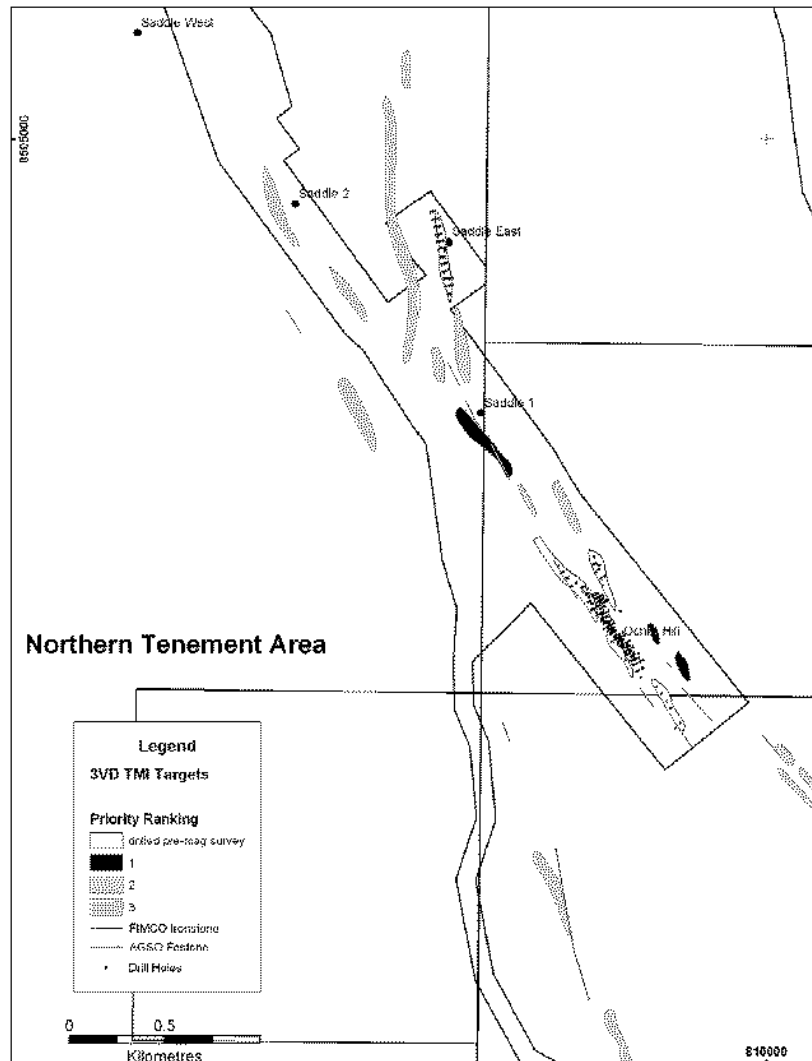
Fifty-eight (58) aeromagnetic anomalies, including 20 high priority targets, were identified from high resolution air borne magnetic survey flown in September, see Figures 1 and 2.

Figure 1: Exploration Targets – Southern Frances Creek area.



Three holes, one each on three of the high priority targets, were drilled on an opportunistic basis (easy access) just prior to closure of the field work due to onset of the wet season. All holes intersected haematite and goethite mineralisation with the best result being 7m at 62.8% Fe and 0.02% P from surface.

Figure 2: Exploration Targets – Northern Frances Creek area.



MARKETING AGREEMENT

An agreement has been concluded with OM Materials (S) Pte Ltd (“OMS”) to market the iron ore to be produced by Territory Iron. OMS is an international trading company which is a wholly owned subsidiary of OM Holdings Limited. As exclusive sales agent, OMS will be responsible for the promotion, marketing, sale and distribution of all Territory Iron products as sole and exclusive sales agent. For these services, OMS will be remunerated on a commercial and arms length basis in line with industry practice.

OMS has an extensive marketing network in China with offices in Singapore, Hong Kong, Guizhou, Beijing, Guangxi and Guangdong and is particularly well placed to market its product into some 25 steel mills in China, South Korea and Japan.

Marketing visits to China are planned for shortly after the Chinese New Year in early 2006 with the aim to secure memorandums of understanding to supply certain quantities of Territory Iron product.

MINERAL LEASE APPLICATIONS

The company has applied for additional Mineral Leases adjacent to the current ML2727. This is to cover part of the defined resource and to add to ground potentially required for infrastructure including access to the Ochre Hill deposit.

MINING, METALLURGY, RESERVE STUDIES

- Contractors have been approached for indicative mining costs.
- Discussions with FreightLink and the Darwin Port Corporation are progressing with respect to logistics of transport and port facilities.
- Consultants have started pit optimisation work and pit designs will follow. In addition, blending and scheduling studies will be done to determine the Territory Iron product.
- Metallurgical testwork is returning favourable characteristics.
 - Initial Lump:fines determination indicates an overall Lump:fines ratio of the order of 60:40.
 - Thermal and physical characteristics tests on lump material indicate that this is of average to high quality and the product specifications appear very acceptable to the steel mills.

NOI , STUDIES AND DISCUSSIONS

The Company has applied for several Mineral Leases and is attending to all regulatory matters pertaining to those leases. These include environmental issues as well as discussions with the Northern Land Council.

The Company has submitted a Notice Of Intent to mine and this will allow the regulatory authorities to determine the level of environmental work required to progress to mining. In anticipation of the obligations, Territory Iron has begun ancillary studies including studies for Flora and Fauna, Hydrology and Waste Rock Characterisation. An Archaeological and Heritage study has been completed.

This work will be applied to the Feasibility Study which is underway and expected to be completed by late February 2006. This will enable the board to make a decision on whether to proceed to production and when.

The Company has initiated discussions with the Darwin Port Corporation with respect to a site for stockpiling iron ore products at the port prior to loading on ships. A site has been allocated and ore stacking facilities are being designed by specialist consultants. The Darwin Port Corporation will construct a bulk loading facility which it expects will be completed in the last quarter of 2006.

Mining contractors have indicated an interest to mine, process and haul the product to rail and are to provide indicative costs for such.

Discussions are underway with FreightLink with respect to rail transport of the product from an already identified loading site on the Darwin to Adelaide rail line to the port at Darwin.

RUM JUNGLE PROJECT

Mapping and first pass RAB drilling comprising 1,340m in 36 holes were completed at the Yarram prospect during October. Holes targeted outcrop zones of massive to specular haematite \pm goethite/limonite. They were inclined at 60 degrees into the dip and on lines at approximately 30m to 60m spacing along the strike extent of the mineralisation.

This work confirms high grade iron mineralisation is associated with the outcrops over about a 300m strike extent of a hill crest line. The iron mineralisation extends below outcrops to at least 40 metres vertical depth. It is up to 28m wide and is moderately dipping to the southeast. Mineralisation remains open at depth along strike to the SW.

Results at 58% Fe cut-off value are as follows:

Table 4: Yarram Deposit selected drill results

Hole	E	N	From	To	Intercept	% Fe	% P
YRPC002	715540	8563465	3	7	4	60.3	0.09
YRPC002	715540	8563465	14	18	4	59.0	0.09
YRPC002	715540	8563465	21	27	6	59.4	0.10
YRPC003	715554	8563452	25	31	6	58.7	0.14
YRPC007	715598	8563493	27	31	4	61.0	0.09
YRPC010	715607	8563557	2	5	3	62.0	0.07
YRPC011	715621	8563542	18	23	5	63.8	0.05
YRPC011	715621	8563542	26	33	7	59.2	0.08
YRPC021	715731	8563595	4	15	11	62	0.07
YRPC022	715744	8563581	19	44	25	61.9	0.24
YRPC025	715751	8563615	1	13	12	63.9	0.05
YRPC026	715765	8563601	11	30	19	62.5	0.10
YRPC034	715821	8563645	4	12	8	58.6	0.16
YRPC035	715833	8563645	24	30	6	60.4	0.12
YRPC036	715806	8563621	31	36	5	61.0	0.10

These results confirm the economic prospectivity of the prospect area. It is planned next year to drill out the outcrop zones and as well extend the drilling to further, more extensive iron mineralised areas that lie immediately west of Yarram prospect

MT BUNDEY PROJECT

Processing of high resolution airborne magnetic survey data acquired in September over the Mt Bunday area has identified 11 magnetic anomalies.

Eight anomalies coincide with, and hence confirm, the magnetic anomalies identified from old magnetic data. These anomalies are known to be associated with either ironstone of the prospective Wildman Siltstone or magnetite/martite outcrops close to



granite contacts. This setting is considered prospective for skarn magnetite mineralisation similar to that at the abandoned Mt Bundey mine which produced 843,000 tonnes of iron ore at 63.4% Fe.

Territory Iron plans to investigate the magnetic anomalies next year.

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 and Mr. Michael Andrew of Snowden Mining Industry Consultants, who are Members of The Australian Institute of Geoscientists and The Australasian Institute of Mining and Metallurgy, respectively. Mr Vivian and Mr. Andrew 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 a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The information that relates to exploration and other items was compiled by Mr Vivian.

Mr Vivian and Mr. Andrew consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.