



Territory Resources Limited

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30 April 2010

Manager Announcements
Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

31 March 2010 Quarterly Activities and Cash Flow Report

Please find enclosed the 31 March 2010 Quarterly Report for Territory Resources Limited with the Appendix 5B cash flow report appended.

Yours sincerely

Patrick McCole
Company Secretary



An Australian Resources Group

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A.B.N. 53 100 552 118



MARCH 2010 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

Financial Performance

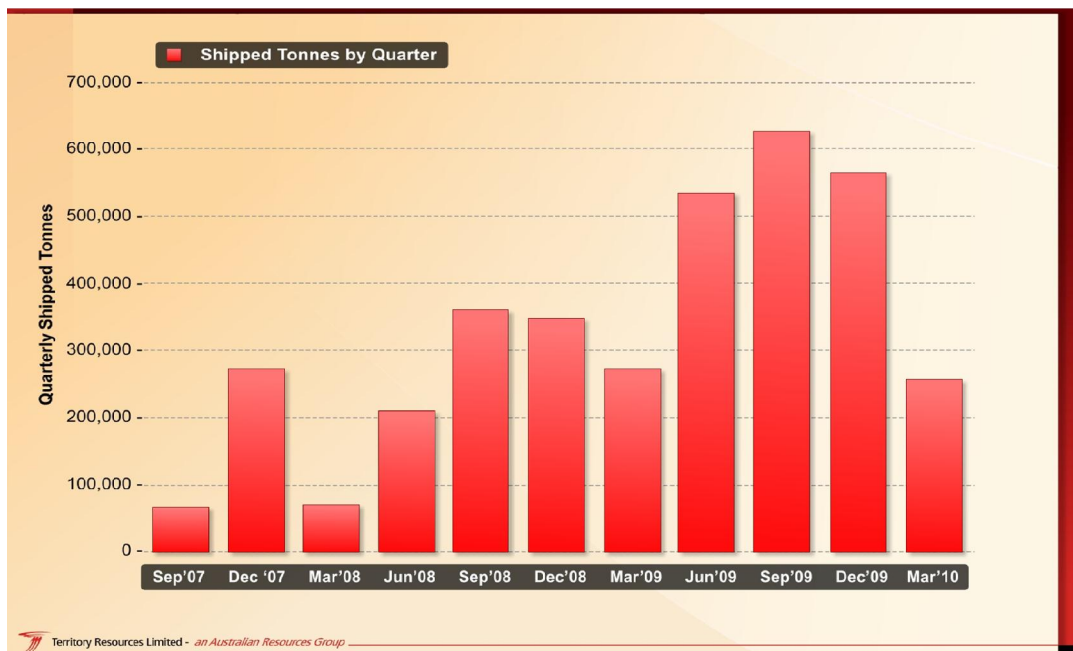
Territory Resources Limited (öTerritoryö or öthe Companyö) maintained profitability during the March 2010 Quarter despite this traditionally being a quarter of lower production and performance due to the Northern Territory's wet season. The results were in line with seasonal expectations.

- **Significant increases in spot iron ore prices** occurred during the Quarter, with lump and fines prices **averaging above US\$100 per tonne** FOB Darwin, at the end of the Quarter.
- Subsequent to the end of the Quarter, average prices have increased further and currently **exceed US\$130 per tonne** FOB Darwin for lump, further positioning the Company to generate free cash flows to reduce debt and pursue its growth strategy.
- **Prevailing spot prices** for both fines and lump products represent an **improvement of almost 150%** on the 2009 benchmark prices, with the Company continuing to maintain a fully sold position for its products from the Frances Creek mine.
- Additionally, as a direct result of the **strong market conditions**, the Company has been able to **marginally reduce the specification levels** for both its lump and fines products, which will assist the program to extend the mine life of the Frances Creek operation.
- The Company generated a **net increase in cash of \$847,000** (Q3 2009: cash deficiency of \$2.3 million) during the March Quarter **despite only 4 shipments and repayment of debt of \$2.3m**. Free cash flows and debts recovered amounted to \$3.15 million (Q3 2009: cash deficiency of \$8.82 million), a turnaround of \$11.969 million from the corresponding period last year.
- **With a near-full ROM pad** at the end of the Quarter, the Company is now fully positioned to achieve targeted production and sales over the remaining nine months of 2010.



Mining & Production

- Experienced contracting group Barminco Limited appointed as Crushing Contractor at Frances Creek with a new crushing plant with **crushing capability in excess of the targeted 2.2Mtpa**. This has sufficient capacity to meet the Company's production needs at current throughputs.
- Consulmet Pty Ltd engaged to construct and **commission a beneficiation plant** to process the Company's scalps and low grade ore stockpiles, upgrade them to saleable grade specifications and extend the life of mine.
- Total high-grade lump and fines production of 278,450 **shippable tonnes** (Q3 2009: 271,443 tonnes), representing the expected reduction in production volumes due to the wet season. Higher prices provided the Company with the opportunity to prioritise pre-stripping and waste removal over ore production during the Quarter, in preparation for the dry season. Mining focused on pre-stripping in the Jasmine Central pit and opening two new pits in Helene 3 and Helene 5. The adjusted mining programme provides for the most efficient future use of dryer pits but has resulted in lower-than-planned ore production during the Quarter.
- **Four shipments totalling 267,582 tonnes of high-grade lump and fines ore were** completed to Chinese customers (Q3 2009: four shipments totalling 279,858 tonnes)
- Pit designs are being remodelled taking into account the recent price increases and specification changes, which may result in a conversion of indicated resources to minable reserves.





Resources and Reserves

- **Resource models** were updated for Frances Creek, with **8.58 million tonnes** of Inferred and Indicated Resources¹ and **3.78 million tonnes** of Probable Ore Reserves² as at 31 March 2010.

Exploration

No ground-based exploration work carried out during the Quarter due to the scheduled exploration shut-down as the wet season prevented access to the targeted regions.

The Company has scheduled ground gravity surveys to identify any large targets for further drilling. These surveys are scheduled to be completed in July 2010 and will cover concealed areas between the existing deposits as well as potential extensions.

The authorisation covering the old Mount Bundy open pit, Tenement A25438, was not renewed when its term ended in March 2010. Exploration results from this area showed the potential only for small tonnages of high sulphur magnetite that did not represent a direct shipping product.

Frances Creek Resource and Reserves – Depleted to End of March 2010

Deposit	Indicated			Inferred			Total		
	Tonnes	Fe (%)	P (%)	Tonnes	Fe (%)	P (%)	Tonnes	Fe (%)	P (%)
Helene 3 ⁽²⁾	286,274	62.4	0.09	38,384	60.25	0.11	324,659	62.1	0.09
Helene 5/6/7 ⁽¹⁾	4,919,534	58.9	0.10	560,066	58.06	0.11	5,479,600	58.8	0.10
Helene 9 ⁽²⁾	174,478	59.7	0.13	14,961	58.33	0.13	189,439	59.6	0.13
Helene 11 ⁽²⁾	160,416	59.9	0.14	166	55.19	0.14	160,582	59.9	0.14
Jasmine Central ⁽²⁾	721,759	61.5	0.09	70,834	60.88	0.07	792,593	61.4	0.09
Jasmine East ⁽²⁾	282,613	60.1	0.07	5,325	62.51	0.04	287,938	60.1	0.07
Ochre Hill ⁽²⁾	103,838	58.2	0.43	10,531	56.67	0.55	114,369	58.1	0.45
Saddle East ⁽²⁾	-	-	-	101,131	58.69	0.08	101,131	58.7	0.08
Thelma 01 ⁽²⁾	11,759	59.9	0.13	314,397	58.33	0.14	326,156	58.4	0.14
Thelma-Rosemary ⁽¹⁾	474,646	57.5	0.17	334,310	58.23	0.16	808,956	57.8	0.17
Totals	7,135,318	59.3	0.11	1,450,106	58.4	0.13	8,585,424	59.2	0.11

¹ See Table 1 for further details on the Inferred and Indicated resources.

² The 8.92 Mt of Resources are inclusive of the resources modified to produce the 4.27 Mt of Reserves.



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Table 1 – Frances Creek Resource Inventory, depleted to March 2010. Note (1) Resources quoted at 50% Fe cut-off grade; Note (2) Resources quoted at 55% Fe cut-off grade.

The Millers deposit is reported separately because it is a different style of mineralisation when compared to the microplaty hematite mineralisation resource inventory. Millers consists of manganese-rich goethite mineralisation and does not currently meet DSO product specification. It may represent a separate saleable product, subject to the outcome of planned metallurgical beneficiation test-work.

	Indicated			Inferred			Total		
	Tonnes	Fe (%)	P (%)	Tonnes	Fe (%)	P (%)	Tonnes	Fe (%)	P (%)
Millers	1,269,944	53.2	0.11	10,301	52.0	0.18	1,280,245	53.2	0.11
Total	1,269,944	53.2	0.11	10,301	52.0	0.18	1,280,245	53.2	0.11

Table 2 – Millers JORC-compliant Resource Inventory, reported at 50% Fe cut-off.

	Probable Ore Reserves				
	Tonnes	Fe (%)	P (%)	SiO ₂ (%)	Al ₂ O ₃ (%)
Helene 3 ⁽²⁾	127,190	63.6	0.072	5.6	2.3
Helene 6/7 ⁽¹⁾	2,406,286	59.6	0.085	8.8	3.7
Helene 9 ⁽²⁾	147,145	59.9	0.134	5.8	2.3
Helene 11 ⁽²⁾	123,951	60.0	0.126	6.2	3.1
Jasmine Central ⁽²⁾	505,764	61.7	0.093	7.9	2.4
Jasmine East ⁽²⁾	238,793	60.3	0.064	7.7	3.4
Ochre Hill ⁽²⁾	-	-	-	-	-
Thelma-Rosemary ⁽²⁾	244,340	58.2	0.156	8.7	4.4
Totals	3,785,091	60.0	0.09	8.3	3.4

Table 3 – Frances Creek Reserve Inventory, depleted to March 2010. Note (1) Reserves quoted at 50% Fe cut-off grade; Note (2) Reserves quoted at 55% Fe cut-off grade.

OVERVIEW

Mining and production

During the Quarter, ore production came from the Thelma Rosemary, Ochre Hill and Helene 6/7 and newly opened Helene 3 and 5 pits. As previously announced, higher sales prices enabled the Company to focus more on pre-stripping in the Jasmine Central pit. This changed mining schedule, has resulted in lower-than-plan ore production occurring during January and February.

A change in crushing contractor contributed to lower levels of production. A total of **475,740** tonnes of ore was crushed for the Quarter (Q3 2009: 557,644 tonnes) producing **225,608** tonnes of high-grade lump ore (March 2009: 215,097 tonnes) and **52,842** tonnes of high-grade fines (2009: 56,346 tonnes).

Processing during the Quarter added 164,524 tonnes (Q3 2009: 101,393 tonnes) of product to the scalps stockpile. The Company expects to process the scalps stockpile



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through the commissioning of a new beneficiation plant over the next 12 months. During this time, the Company will also conduct testing to assess the ability of the beneficiation process to upgrade the lower grade deposits to extend the mine life of Frances Creek.

Corporate

During the Quarter, the Company **reduced the Noble core debt by \$5.77 million** and drew down prepayments of \$3.90 million resulting in a net reduction of \$1.87 million. At 31 March 2010, the core debt stands at \$41.014 million (US\$37.565 million) and the prepayment facility at \$11.707 million (US\$10.722 million).. The prepayment debt is expected to be fully repaid during May 2010. During the Quarter, Territory also finalised an agreement with Noble for an extension to the repayment date until 31 March 2011. If spot iron ore prices and foreign exchange rates remain at current levels, the Company expects to be able to retire the Noble debt in the second half of 2010.

During the Quarter, **settlements of the Monarch Gold Mining Company Limited** Recapitalisation and sale of India Resources Limited were completed, **providing proceeds of \$6.52 million** which were applied in reduction of Noble's debt.

As at 31 March 2010, the Company had 264,606,388 shares and 7,808,000 options on issue.

Andy Haslam
Managing Director

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Andy Haslam, Managing Director
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For media inquiries, contact:
Nicholas Read, Read Corporate
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Competent Person's Statement

The information in this report that relates to Ore Reserves is based on information compiled by Mr Roselt Croeser, who is a Member of the Australian Institute of Mining and Metallurgy and an employee of Croeser Pty Ltd. Mr Croeser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Ore Reserves'. Mr Roselt Croeser consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Hassall, who is a Member of the Australian Institute of Mining and Metallurgy, and is a full-time employee of Territory Resources Limited. Mr Hassall has sufficient experience which 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



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of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves'. Mr Hassall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward-Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Territory Resources Limited, that could cause actual results to differ materially from such statements. Territory Resources Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration targets for the Frances Creek Iron Ore Project should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Territory Resources Limited

ABN 53 100 552 118

Quarter ended (öcurrent quarterö)

31 March 2010

Consolidated statement of cash flows

	Current quarter \$Aö000	Year to date \$Aö000
Cash flows related to operating activities		
Receipts from	28,570	108,267
1.1 Payments for		
(a) production	(26,133)	(88,319)
1.2 (b) administration	(1,362)	(4,573)
(b) exploration	(44)	(145)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	82
1.5 Interest and other costs of finance paid	(946)	(2,089)
1.6 Payment of derivatives transactions	-	(1,796)
1.7 Income taxes paid	-	-
1.8 Other (refer 1.25)	-	(533)
Net Operating Cash Flows	106	10,895
Cash flows related to investing activities		
Payment for purchases of:		
(a) investment securities	-	-
(b) exploration	(85)	(1,867)
(c) mine development	(1,730)	(1,730)
(d) property, plant & equipment	(949)	(2,632)
1.9 (e) security deposits	(739)	(1,381)
Proceeds from sale of:		
(a) prospects	-	-
1.10 (b) equity investments	-	735
(c) property, plant & equipment	30	680
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	6,520	11,231
1.13 Other (provide details if material)	-	-
Net investing cash flows	3,047	5,037
1.14 Total operating and investing cash flows	3,152	15,932
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from borrowings	-	2,348
1.17 Repayment of borrowings	(6,206)	(10,045)
1.18 Proceeds from advance on sales	31,201	96,252
1.19 Repayments of advance on sales	(27,300)	(104,101)
1.20 Dividends paid	-	-
1.21 Other (provide details if material)	-	-
Net financing cash flows	(2,305)	(15,546)
Net increase (decrease) in cash held	847	386
1.22 Cash at beginning of quarter/year to date	722	1,183
1.23 Exchange rate adjustments to item 1.19	-	-
Cash at end of quarter	1,569	1,569

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
Payments to Noble Group:	Commission	929
Payment of salaries and fees to directors	Interest	780
		98
1.24	Aggregate amount of payments to the parties included in item 1.2	1,807
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Standstill fees for debt restructuring (\$533k) at 1.8 above.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

			Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities -	Noble Group LTD	52,721	52,721
		Property mortgage	5,000	5,000
3.2	Credit standby arrangements		-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	100
4.2	Development	3,510
Total		3,610

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	1,357	510
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (restricted cash)	212	212
Total: cash at end of quarter (item 1.22)		1,569	722

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed.	A25438 Authority expired during the period and not renewed	100%	0%
6.2 Interests in mining tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	264,606,388	-	-	Fully Paid
7.4 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	-	-	-	-
7.6 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	2,500,000		<i>Exercise price</i> 90c	<i>Expiry date</i> 21 Aug 10
	500,000		90c	21 Dec 10
	833,000		\$1.00	21 Dec 11
	1,250,000		\$1.50	21 Dec 12
	2,725,000		\$1.11	31 Mar 11
	7,808,000	-		
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)	-	-	-	-
7.12 Unsecured notes (totals only)	-	-	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Patrick McCole
(Company Secretary)

Date: 30 April 2010

Print name:

Patrick McCole