



# Territory Resources Limited

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21 July 2010

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

Dear Sir/Madam

## **30 June 2010 Quarterly Activities and Cash Flow Report**

Please find enclosed the 30 June 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



## JUNE 2010 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

#### *Financial Performance*

- **Record operating revenue of \$67.3M**, with lump and fines prices **averaging above US\$110 per tonne** FOB Darwin for the Quarter.
- Unaudited **EBITDA of \$24.5M** for the Quarter (including Monarch bad debt recovered of \$3.25M and after allowing for asset impairments of \$1.27 million).
- **Positive net operating cash flow of \$20.5M** generated for the June Quarter (\$31.4M for FY2010).
- Net repayment of **\$17.1M of debt during the Quarter**, reducing the **core debt to Noble Group to \$36.5M** as at 30 June 2010, with the **Noble Prepayment Facility** also **fully extinguished** during the Quarter.

#### *Production & Shipments*

- **Strong production for the Quarter of 539,906 shippable tonnes** of high-grade lump and fines ore, increasing total production for FY 2010 to **1.962 million shippable tonnes** (FY 2009: 1.697 million tonnes).
- **Eight ore shipments totalling 564,249 tonnes** of high-grade lump and fines ore completed to Chinese customers.
- **30% increase in shipped tonnes** for FY 2010 with a total of **28 shipments completed delivering 2,027,385 tonnes** of high-grade lump and fines ore for the full year (FY 2009: 1,563,000 tonnes).

#### *Resources*

- **Reserve models are being updated for Frances Creek** incorporating recent price increases. An **updated Resource and Reserve Statement expected to be released in August 2010**.
- The Company is re-evaluating potential extensions of the Helene 6/7 ore body beneath existing site infrastructure to increase mine life.

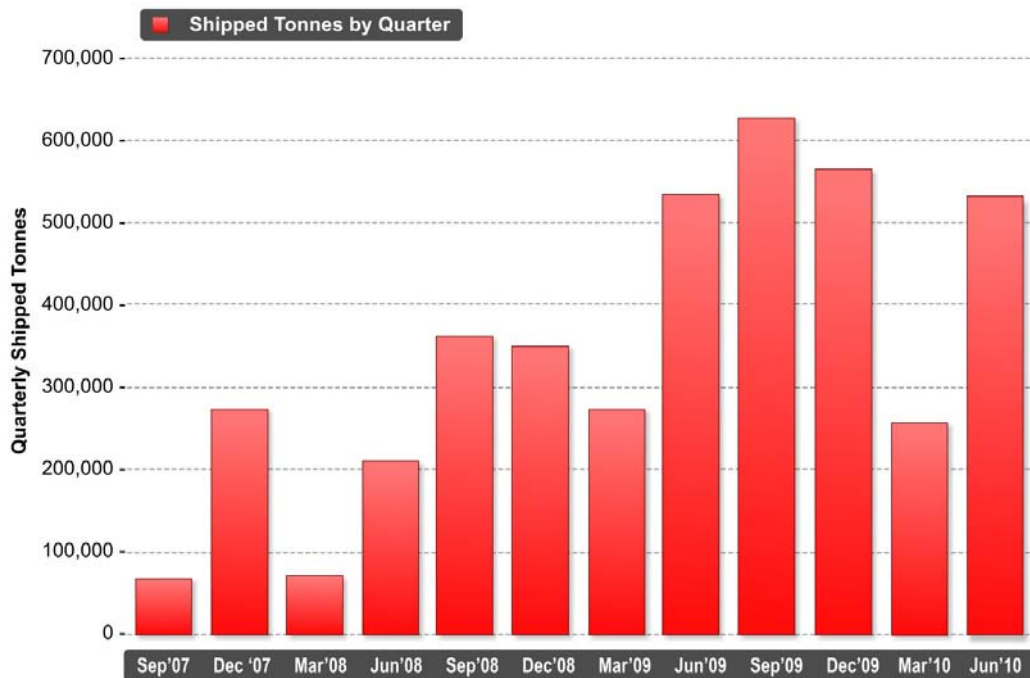


## OVERVIEW

### PRODUCTION AND SALES

Territory Resources Limited (ASX: **TTY**) posted an excellent operating and financial performance during the June Quarter, finishing the 2010 financial year strongly, with a **29.8% increase** in iron ore shipments for the year to **2,027,385 tonnes** (FY 2009: 1,562,517 tonnes).

A total of 564,249 tonnes of high-grade lump and fines ore were shipped from the Company's Frances Creek iron ore operations in the Northern Territory during the Quarter; more than double the 267,582 tonnes of high-grade lump and fines ore shipped in the March 2010 Quarter:



Sales performance was underpinned by a continued robust operating performance at the Frances Creek Mine. A total of 539,906 shippable tonnes of high-grade lump and fines ore was produced for the Quarter, capitalising on pre-strip and development activities undertaken during the wet season in the previous Quarter. Ore production was sourced from the Thelma Rosemary, Ochre Hill and Helene 6/7 and newly opened Helene 3 and 5 pits.



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The healthy production and shipping performance has enabled Territory to take advantage of the prevailing iron ore prices to achieve an **unaudited EBITDA** for the Quarter of **\$24.5 million** (including Monarch bad debt recovered of \$3.2 million and after allowing for asset impairments of \$1.3 million) on **operating revenue of \$67.3 million**.

## KEY STATISTICS

	Financial Year			
	This Quarter	Last Quarter	2010	2009
<b>PRODUCTION</b>				
<b>Ore tonnes crushed</b>	656,929	475,740	2,549,393	2,279,592
<b>Shippable product - tonnes</b>				
High-grade Lump	322,988	225,608	1,115,810	917,716
High-grade Fines	216,918	130,995	846,495	779,616
<b>Total shippable product</b>	<b>539,906</b>	<b>356,603</b>	<b>1,962,305</b>	<b>1,697,332</b>
<b>SALES</b>				
<b>No. of shipments</b>	<b>8</b>	<b>4</b>	<b>28</b>	<b>16</b>
<b>Ore shipped - tonnes</b>				
High-grade Lump	355,920	159,082	1,150,736	903,821
High-grade Fines	208,329	108,500	876,638	658,696
<b>Total ore shipped</b>	<b>564,249</b>	<b>267,582</b>	<b>2,027,374</b>	<b>1,562,517</b>

The appointment of the experienced contracting group Barmenco Limited as the Crushing Contractor at Frances Creek in March 2010 has provided the Company with more than enough crushing capability and capacity to meet existing and future production needs.

Construction of the Beneficiation Plant is progressing with commissioning scheduled for the second half of 2010. The Beneficiation Plant will enable the Company to process its scalps and low grade ore stockpiles and upgrade them to saleable grade specifications

The Company will also conduct tests to determine if the beneficiation process will be able to upgrade lower grade deposits in the northern regions to extend the mine life of Frances Creek.



## **RESOURCES AND RESERVES**

The Mineral Resource and Ore Reserve models for the Frances Creek operation are being updated, with the open pits being re-designed to take into account recent price increases as well as earlier product specification changes.

This re-optimisation is expected to result in a conversion of additional Indicated Resources to Ore Reserves, potentially enhancing the mine life at Frances Creek.

An updated Mineral Resource and Ore Reserve Statement is scheduled for release in August 2010.

The Company is also re-evaluating potential extensions of the Helene 6/7 ore body beneath existing site infrastructure with the view to increasing the mine life.

## **EXPLORATION**

Ground-based exploration work at Frances Creek re-commenced during the June Quarter, following the completion of the Northern Territory wet season.

The Company commenced an intensive program of ground-based geophysical gravity surveys late in the Quarter with the aim of identifying shallow, buried or blind iron ore targets north of the Frances Creek Mine as a focus for future drilling activity. The survey was 10% complete by 30 June 2010 and is expected to be finalised by mid-August.

These surveys are specifically aimed at the concealed areas between existing deposits as well as potential extensions of known mineralisation. Following field capture, the data will undergo detailed geophysical interpretation to identify any targets for further work.

Two outlying Exploration Licences at Frances Creek were surrendered during the Quarter as part of a tenement rationalisation initiative.

A major focus for the Company's exploration team is a re-evaluation of potential exploration targets directly surrounding the Frances Creek Mine, where it is thought additional work in testing complex synclinal and cross-cutting structural geological positions to greater depths may provide positive results.

Additionally, metallurgical and geotechnical diamond drilling programs have been budgeted for completion around the mine during the remainder of 2010.



## **CORPORATE**

### ***Debt Reduction Program***

During the Quarter, the Company **extinguished the debt owing under the Noble Prepayment Facility.**

The Company also **reduced the Noble core debt by \$6.02 million.** At 30 June 2010, the core debt amounted to \$36.47 million (US\$32.53 million). Territory also finalised an agreement with Noble for an extension of the core debt repayment date to 31 October 2011. However, it is the Company's intention that the Noble debt is retired as soon as possible. If spot iron ore prices and exchange rates remain at current levels, this is expected to occur in the second half of 2010.

### ***Monarch Gold Mining Company***

The Company accepted an offer of accelerated royalty payments from the Minjar Trust in respect to amounts owing under the Monarch Gold Mining Company Limited Recapitalisation. Under this offer, amounts totalling \$3.25 million are receivable between July 2010 and September 2010. At the date of this report the first instalment of \$1.0 million had been received.

### ***Remuneration Review***

During the Quarter, the Company introduced a Performance Rights Plan to provide long term incentives to certain senior executives which will align the interests of Management to those of shareholders and reward the creation of shareholder value.

The Board is also in the process of conducting a review of Non-Executive Director fees and the Company has engaged an independent remuneration consultant for this purpose. The Board is currently considering the recommendations provided by the independent consultant and, should an increase in fees be appropriate in order to provide:

- fair and reasonable remuneration; and
- to retain Directors with the knowledge, skills and experience required to effectively manage and grow the business,

then it is proposed that rights under the Performance Rights Plan be issued in lieu of an increase in cash fees. Any such proposal will be subject to shareholder approval and will ensure alignment of the interests of Directors and shareholders.



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As at 30 June 2010, the Company had 264,606,388 shares and 7,808,000 options on issue.

**Andy Haslam**  
**Managing Director**

*For investor and corporate inquiries, contact:*  
*Andrew Simpson, Chairman or*  
*Andy Haslam, Managing Director*  
*Telephone: +61-8 9483 5100*

*For media inquiries, contact:*  
*Nicholas Read, Read Corporate*  
*Telephone: +61-8 9388 1474 or 0419 929 046*

**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 ("current quarter")

30 June 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from	58,052	166,319
1.2 Payments for		
(a) production	(34,879)	(123,198)
(b) administration	(1,553)	(6,126)
(b) exploration	(243)	(388)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	46	128
1.5 Interest and other costs of finance paid	(901)	(2,990)
1.6 Payment of derivatives transactions	-	(1,796)
1.7 Income taxes paid	-	-
1.8 Other (refer 1.25)	-	(533)
<b>Net Operating Cash Flows</b>	<b>20,522</b>	<b>31,416</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of:		
(a) investment securities	-	-
(b) exploration	79	(1,788)
(c) mine development	(1,236)	(2,967)
(d) property, plant & equipment	(1,976)	(4,608)
1.9 (e) security deposits	(631)	(2,012)
Proceeds from sale of:		
(a) prospects	-	-
1.10 (b) equity investments	-	735
(c) property, plant & equipment	28	708
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	250	11,481
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(3,486)</b>	<b>1,549</b>
1.14 Total operating and investing cash flows	17,036	32,966
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from borrowings	-	2,348
1.17 Repayment of borrowings	(6,025)	(16,070)
1.18 Proceeds from advance on sales	15,576	111,828
1.19 Repayments of advance on sales	(26,680)	(130,781)
1.20 Dividends paid	-	-
1.21 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>(17,129)</b>	<b>(32,675)</b>
<b>Net increase (decrease) in cash held</b>	<b>(93)</b>	<b>291</b>
1.22 Cash at beginning of quarter/year to date	1,567	1,183
1.23 Exchange rate adjustments to item 1.19	-	-
<b>Cash at end of quarter</b>	<b>1,474</b>	<b>1,474</b>



**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	1,821
Payment of salaries and fees to directors	Interest	556
		211
1.24	Aggregate amount of payments to the parties included in item 1.2	2,032
1.25	Aggregate amount of loans to the parties included in item 1.1C	-

1.25 Explanation necessary for an understanding of the transactions

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**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	36,474	36,474
	Property mortgage	5,000	5,000
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	1,480
4.2	Capital	3,000
<b>Total</b>		<b>4,480</b>

**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	1,262	1,357
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (restricted cash)	212	212
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,474</b>	<b>1,569</b>

**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.	EL23590	Surrendered	100%
	EL26880	Surrendered	100%
6.2 Interests in mining tenements acquired or increased	EMP27677	Granted	0%

## 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 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	264,606,388	-	-	Fully Paid
7.4 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	2,500,000		90c	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 <b>Debentures</b> <i>(totals only)</i>	-	-	-	-
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-	-	-

## 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: 21 July 2010

Print name:

Patrick McCole