



# Territory Resources Limited

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27 January 2010

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

Dear Sir/Madam

## **31 December 2009 Quarterly Activities and Cash Flow Report**

Please find enclosed the 31 December 2009 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



## DECEMBER 2009 QUARTERLY ACTIVITIES REPORT

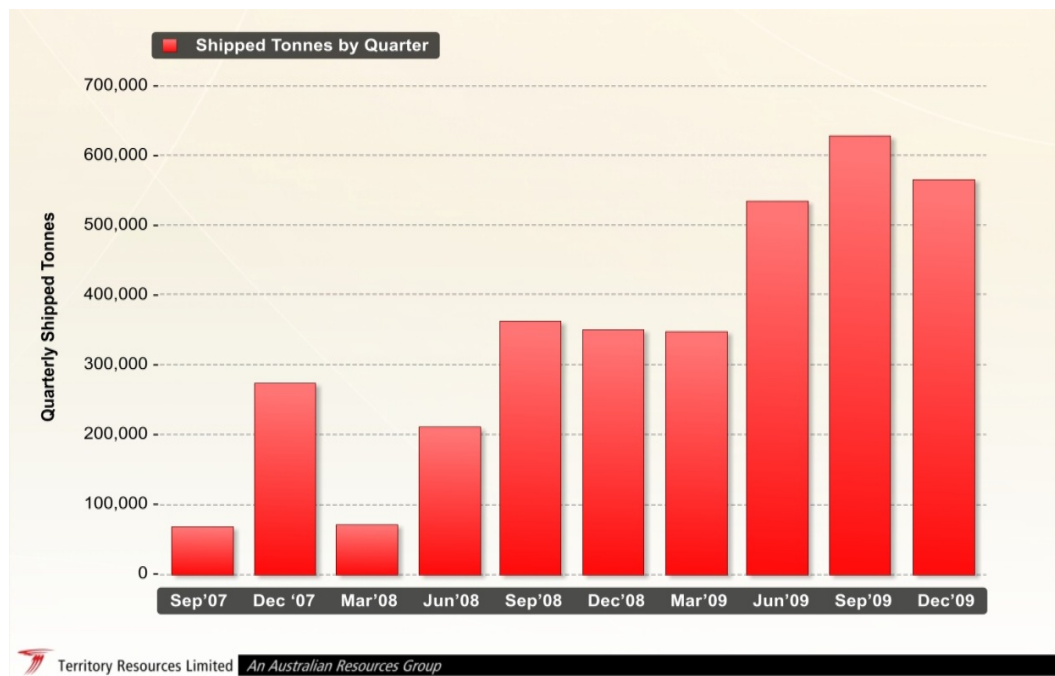
### HIGHLIGHTS

#### *Financial Performance*

- Unaudited **\$4.4M Net Profit After Tax (NPAT)** for the December 2009 Quarter, achieved on **operating revenue of \$38.8M** following a strong production, operating and sales performance.
- Unaudited **NPAT of \$10.0M for six months to 31 December 2009** (1H FY08: Loss of \$38.1 million), achieved on **operating revenue of \$84.0M**.
- **Positive cash flow of \$2.03M** generated for the Quarter, providing **positive cash flow of \$11.2M** for the first half. This was despite a delayed final shipment, for which payment was received on 2 January 2010. If the ship vessel completed on schedule, operating cash flow for the Quarter would have been **\$8.0 million**.

#### *Mining & Production*

- **Total high-grade lump and fines production of 513,529 shippable tonnes** (September Quarter: 552,267 tonnes), with production continuing at an annualised, steady-state level of 2.2Mtpa.
- **Seven ore shipments totalling 567,796 tonnes** of high-grade lump and fines ore completed to Chinese customers (September Quarter: 9 shipments totalling 627,746 tonnes). The 8<sup>th</sup> shipment was completed on 2 January 2010.





- Operating cost of **A\$48.73 per tonne shipped** loaded in Darwin achieved for the financial year to date.
- The spot market for iron ore remains firm and the Company continues to maintain a fully sold position. Whilst strong price increases have also been evident, these have mainly occurred during December and January; therefore in terms of sales revenue, the full impact of these price increases will be more evident during the March quarter, and the balance of the financial year.

## *Resources and Reserves*

- **New resource models** completed for Frances Creek with **8.92 million tonnes** of Inferred and Indicated Resources<sup>1</sup> and **4.27 million tonnes** of Probable Ore Reserves<sup>2</sup> as at 30 September 2009.

## *Corporate*

- **Consolidation and extension of debt** arrangements until 31 October 2010.
- **Significant reduction in debt** under the Advance Payment on Sales Facility from \$20,411,287 at 30 June 2009 to \$7,360,194 at 31 December 2009.
- **Corporate growth and diversification** strategy implemented with the Company continuing to assess potential projects that would be compatible with its core strengths and expertise to generate future growth outside of Frances Creek operation. The appointment of a highly qualified General Manager –Business Development has been completed to execute this program.

## **OVERVIEW**

Territory Resources Limited (“Territory” or “the Company”) achieved excellent operational and financial results during the December 2009 Quarter, reflecting the benefits of the re-focus of its corporate strategy implemented in early 2009.

This has been based on a sole focus on production and cost management at its 100%-owned **Frances Creek Iron Ore Mine** in the Northern Territory, with the twin aims of achieving a significant increase in export volumes together with a substantial decrease in production costs.

Importantly, the Company has continued to maintain a fully sold position through its strong association with Noble Group in Hong Kong, completing 7.7 shipments totalling 567,796 tonnes of high-grade lump and fines ore during the Quarter. The eighth ship sailed on 2 January 2010.

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<sup>1</sup> See Table 2 for further details on the Inferred and Indicated resources.

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



However, the very firm market conditions and the strong iron ore price increases mainly occurred in the very latter part of the quarter, and the full impact of these price increases in terms of sales revenue will be more evident in the March quarter and for the balance of the financial year.

Production was in line with budget. However, a delayed vessel for the eighth shipment resulted in completion of loading on 1 January 2010. Therefore, a notional 7.7 shipments were achieved for the quarter against the eight budgeted shipments.

The strengthening Australian/US Dollar exchange rate during the Quarter had a negative impact on revenue and operating cash flows. However, this was partially offset by increased spot iron ore prices.

## **OPERATIONS**

### **Production**

The Frances Creek Iron Ore Mine in the Northern Territory continued to perform strongly with production being maintained at the budgeted, steady-state production rate of 2.2Mtpa.

Total material movement for the Quarter was in line with budget, with mining activities being marginally below budget for ore movement and crushing, which was primarily due to the commencement of the wet season and December's rainfall being above anticipated levels.

A total of **670,868** tonnes of ore was crushed for the Quarter (September 2009 Quarter: 745,856 tonnes) resulting in the production of **270,326** tonnes of high-grade lump ore (September 2009 Quarter: 296,888 tonnes) and **98,761** tonnes of high-grade fines (September 2009 Quarter: 90,855 tonnes).

The mining fleet was increased from two to three during the Quarter.

### **Mining Activities**

During the Quarter, mining activity focused on ore production from the Thelma Rosemary, Ochre Hill and Helene 3, 5 and 6/7 open pits.

### **Exploration**

Reverse Circulation (RC) drilling for the December Quarter totalled 124 holes for 1,289 metres with the 2009 drilling season concluding on 13 October 2009. Drilling focused on assessing remnant mineralisation at the old Mount Bundy mine prior to the onset of the wet season.



## Mount Bundy

Drilling during the Quarter confirmed the presence of hard magnetite mineralisation under the current pit floor. Previous mining in the 1960s by Morgan Mining produced 534,000 tonnes of high-grade hematite (a weathering product of magnetite), with mining ceasing when sulphur levels became elevated in fresh magnetite at depth.

The new drilling confirmed that the remaining mineralisation is limited and too high in sulphur to be considered a reliable iron ore product.

The sulphur occurs as pyrite (iron sulphide) and the amount of mineralisation does not support sophisticated ore processing. The target was for additional high-grade, low-sulphur hematite along strike or down-dip, which was shown not to be present.

As a result, ongoing tenure granted under the Authorisation (AN25438) in this area is currently under review.



Figure 1 – Drilling at Mount Bundy historical pit.

The drill hole intercepts shown below demonstrate that while acceptable iron grades were intercepted, high sulphur values requiring sophisticated mineral processing, mean the mineralisation is not suitable for a direct-shipping product.

| HOLE_ID | From (m) | To (m) | Interval (m) | Fe (%) | P (%) | Al <sub>2</sub> O <sub>3</sub> (%) | SiO <sub>2</sub> (%) | S (%) | LOI (%) |
|---------|----------|--------|--------------|--------|-------|------------------------------------|----------------------|-------|---------|
| MBRC102 | 1        | 9      | 8            | 60.61  | 0.05  | 1.95                               | 6.96                 | 1.45  | 1.6     |
| MBRC103 | 1        | 8      | 7            | 63.44  | 0.09  | 1.05                               | 3.84                 | 0.10  | 2.2     |
| MBRC103 | 29       | 41     | 12           | 59.58  | 0.12  | 2.03                               | 8.62                 | 1.62  | 0.6     |
| MBRC104 | 49       | 61     | 12           | 60.77  | 0.05  | 1.43                               | 6.39                 | 2.88  | 0.7     |



| HOLE_ID | From (m) | To (m) | Interval (m) | Fe (%) | P (%) | Al <sub>2</sub> O <sub>3</sub> (%) | SiO <sub>2</sub> (%) | S (%) | LOI (%) |
|---------|----------|--------|--------------|--------|-------|------------------------------------|----------------------|-------|---------|
| MBRC108 | 34       | 48     | 14           | 63.85  | 0.01  | 0.95                               | 4.52                 | 2.46  | 0.8     |
| MBRC108 | 58       | 65     | 7            | 57.06  | 0.03  | 2.13                               | 9.08                 | 2.85  | 1.2     |
| MBRC109 | 0        | 5      | 5            | 58.40  | 0.11  | 4.66                               | 5.69                 | 0.05  | 4.1     |
| MBRC110 | 2        | 18     | 16           | 64.52  | 0.04  | 0.95                               | 2.40                 | 0.44  | 2.9     |
| MBRC111 | 2        | 11     | 9            | 61.67  | 0.09  | 1.22                               | 6.49                 | 0.38  | 2.6     |
| MBRC111 | 11       | 25     | 14           | 58.27  | 0.14  | 1.80                               | 8.90                 | 3.39  | 2.2     |
| MBRC115 | 79       | 84     | 5            | 58.42  | 0.04  | 1.47                               | 9.39                 | 2.83  | 0.3     |
| MBRC115 | 89       | 95     | 6            | 60.05  | 0.03  | 1.48                               | 8.28                 | 2.93  | 0.9     |
| MBRC119 | 21       | 30     | 9            | 58.76  | 0.16  | 2.24                               | 8.86                 | 0.12  | 2.8     |
| MBRC119 | 36       | 47     | 11           | 62.91  | 0.01  | 1.14                               | 4.65                 | 3.35  | 1.1     |
| MBRC123 | 38       | 43     | 5            | 61.34  | 0.04  | 1.61                               | 6.87                 | 3.42  | 1.7     |

*Table 1 – Exploration results for Mount Bundy*

## Forward Exploration Program

All existing prospects on the Frances Creek tenements have now been assessed for economic iron mineralisation, with targets generated from aeromagnetic and radiometric surveys, field mapping, and follow-up drilling where appropriate.

Once access is regained after the wet season a four-week ground gravity survey will be conducted to identify any large, unexposed gravity targets that have potential to host iron mineralisation. This work is proposed in May / June 2010.

## Frances Creek Resource and Reserves Report – Depleted to End of December

| Deposit                        | Indicated        |             |             | Inferred         |             |             | Total            |             |             |
|--------------------------------|------------------|-------------|-------------|------------------|-------------|-------------|------------------|-------------|-------------|
|                                | Tonnes           | Fe (%)      | P (%)       | Tonnes           | Fe (%)      | P (%)       | Tonnes           | Fe (%)      | P (%)       |
| Helene 3 <sup>(2)</sup>        | 412,022          | 62.7        | 0.08        | 41,990           | 60.06       | 0.10        | 454,012          | 62.5        | 0.08        |
| Helene 5/6/7 <sup>(1)</sup>    | 5,057,580        | 58.9        | 0.10        | 562,831          | 58.08       | 0.11        | 5,620,412        | 58.8        | 0.10        |
| Helene 9 <sup>(2)</sup>        | 174,478          | 59.7        | 0.13        | 14,961           | 58.33       | 0.13        | 189,439          | 59.6        | 0.13        |
| Helene 11 <sup>(2)</sup>       | 160,416          | 59.9        | 0.14        | 155              | 55.20       | 0.15        | 160,571          | 59.9        | 0.14        |
| Jasmine Central <sup>(2)</sup> | 721,759          | 61.5        | 0.09        | 70,834           | 60.88       | 0.07        | 792,593          | 61.4        | 0.09        |
| Jasmine East <sup>(2)</sup>    | 291,100          | 60.0        | 0.07        | 16,030           | 61.42       | 0.04        | 307,130          | 60.1        | 0.07        |
| Ochre Hill <sup>(2)</sup>      | 103,838          | 58.2        | 0.43        | 10,531           | 56.67       | 0.55        | 114,369          | 58.1        | 0.45        |
| Saddle East <sup>(2)</sup>     | -                | -           | -           | 101,131          | 58.69       | 0.08        | 101,131          | 58.7        | 0.08        |
| Thelma 01 <sup>(2)</sup>       | 11,759           | 59.9        | 0.13        | 314,397          | 58.33       | 0.14        | 326,156          | 58.4        | 0.14        |
| Thelma-Rosemary <sup>(1)</sup> | 525,511          | 57.4        | 0.17        | 334,421          | 58.23       | 0.16        | 859,932          | 57.7        | 0.17        |
| <b>Totals</b>                  | <b>7,458,464</b> | <b>59.3</b> | <b>0.11</b> | <b>1,467,282</b> | <b>58.4</b> | <b>0.13</b> | <b>8,925,746</b> | <b>59.2</b> | <b>0.11</b> |

*Table 2 – Frances Creek Resource Inventory, depleted to December 2009*

*Note (1) Resources quoted at 50% Fe cut-off grade*

*Note (2) Resources quoted at 55% Fe cut-off grade*



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The Millers deposit is reported separately because it is a different style of mineralisation when compared to the Company's existing microplaty hematite mineralisation resource inventory.

The Millers deposit comprises manganese-rich goethite mineralisation and does not meet product specification blend requirements, however it may represent a separate saleable product once market conditions improve.

|              | 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        |
| <b>Total</b> | <b>1,269,944</b> | <b>53.2</b> | <b>0.11</b> | <b>10,301</b> | <b>52.0</b> | <b>0.18</b> | <b>1,280,245</b> | <b>53.2</b> | <b>0.11</b> |

*Table 3 – Millers JORC-compliant Resource Inventory, reported at 50% Fe cut-off*

|                                | Probable Ore Reserves |             |             |                      |                                    |
|--------------------------------|-----------------------|-------------|-------------|----------------------|------------------------------------|
|                                | Tonnes                | Fe (%)      | P (%)       | SiO <sub>2</sub> (%) | Al <sub>2</sub> O <sub>3</sub> (%) |
| Helene 3 <sup>(2)</sup>        | 286,163               | 63.4        | 0.069       | 5.67                 | 2.42                               |
| Helene 6/7 <sup>(1)</sup>      | 2,742,351             | 59.3        | 0.083       | 9.01                 | 3.67                               |
| Helene 9 <sup>(2)</sup>        | 147,145               | 59.9        | 0.134       | 5.78                 | 2.34                               |
| Helene 11 <sup>(2)</sup>       | 123,951               | 60.1        | 0.130       | 6.10                 | 3.01                               |
| Jasmine Central <sup>(2)</sup> | 523,110               | 61.9        | 0.091       | 7.60                 | 2.40                               |
| Jasmine East <sup>(2)</sup>    | 153,756               | 60.9        | 0.060       | 7.39                 | 3.13                               |
| Ochre Hill <sup>(2)</sup>      | -                     | -           | -           | -                    | -                                  |
| Thelma-Rosemary <sup>(2)</sup> | 294,761               | 57.8        | 0.157       | 9.00                 | 4.56                               |
| <b>Totals</b>                  | <b>4,271,238</b>      | <b>59.9</b> | <b>0.09</b> | <b>8.36</b>          | <b>3.40</b>                        |

*Table 4 – Frances Creek Reserve Inventory, depleted to December 2009*

*Note (1) Reserves quoted at 50% Fe cut-off grade*

*Note (2) Reserves quoted at 55% Fe cut-off grade*

## Corporate

### Noble Debt

On 16 October 2009, Territory reached agreement with Noble Resources Limited ("Noble") for an extension to the loan facilities provided by Noble with the repayment date extended until 31 October 2010.

During this time, the Company is required to make monthly interest payments and quarterly principal repayments.

In addition, should the cash balance at any month end from Territory's iron ore operations exceed A\$1.5 million after allowing for approved capital and exploration expenditure contained in the budgeted operational cash flows, the surplus will also be paid to Noble to reduce debt. Further, any cash recovered by Territory under the Monarch Gold Mining Company Limited recapitalisation must be applied to repayment of the Noble debt.



The remaining debt is repayable on 31 October 2010 and Territory will seek further refinancing of this debt prior to the repayment date.

Subsequent to the end of the Quarter, the Company finalised with Noble documentation that consolidated the core debt owed to Noble and the debt that Noble purchased from the Company's Bankers into one debt totalling US\$43.36 million.

The debt has been consolidated on normal commercial terms for a loan facility of this nature that would be provided by a Bank.

### *India Resources Limited*

On 9 November 2009, the Company reached a conditional agreement to sell its 8.5% stake (19,019,000 shares) in India Resources Limited (ASX: IRL) and the transfer of a A\$1.5 million inter-company loan previously provided to IRL by Territory, for a total cash settlement of A\$1.956 million.

Upon becoming unconditional, the repayment of the A\$1.5 million loan will occur in four tranches with an initial payment of A\$750,000 followed by three further payments of A\$250,000. The consideration for the transfer of shares totalling A\$456,456 will settle upon satisfaction of the conditions.

The funds received from IRL will be applied in repayment of the Noble debt.

### *Monarch Gold Mining Company Limited*

During the Quarter, the completion date for the proposed recapitalisation of Monarch Gold Mining Company Limited ("Monarch") was extended by the Monarch Administrator until 31 January 2010.

On 9 October 2009, the Company received a non-recourse payment of \$2,961,000 and under the proposed arrangements the Company stands to recover the balance of the \$22.5 million owed by Monarch, subject to the various parties to the recapitalisation being able to complete the transaction over the course of the next two years.

During the Quarter, the Trustee of the Minjar Project Trust agreed to release the security over the Minjar assets to allow for a listing on the Chinese stock market in consideration of \$5 million received in advance for the scheduled purchase payments under the Minjar sale agreement.

Upon completion of the Monarch recapitalisation, the Company will be assigned all benefit of the proceeds for the Minjar Project and will receive a total of \$5.7 million that is held in the Minjar Project Trust.

Any funds received from the Minjar Project will be applied in repayment of the Noble debt.



## *Corporate*

As at 31 December 2009, the Company had 264,606,388 shares and 9,583,000 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***

### **Competent Person's Statement**

*The information in this report that relates to Ore Reserves is based on information compiled by Mr Grant Schofield, who is a Member of the Australian Institute of Mining and Metallurgy and an employee of Coffey Mining Pty Ltd. Mr Schofield 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 Schofield 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 Mineral Resources is based on information compiled by Mr John Winterbottom who is a Member of the Australian Institute of Geoscientists, and is a full-time employee of Territory Resources Limited. Mr Winterbottom 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 of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves'. Mr Winterbottom 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 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 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.*



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## 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")

31 December 2009

### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>\$A'000 |
|---|----------------------------|-------------------------|
| <b>Cash flows related to operating activities</b>               |                            |                         |
| 1.1 Receipts from product sales and related debtors             | 34,562                     | 79,831                  |
| 1.2 Payments for  |                            |                         |
| (a) production  | (30,620)                   | (62,186)                |
| (b) administration  | (1,040)                    | (2,591)                 |
| (b) exploration   | -                          | (101)                   |
| 1.3 Dividends received  | -                          | -                       |
| 1.4 Interest and other items of a similar nature received       | 79                         | 86                      |
| 1.5 Interest and other costs of finance paid                    | (948)                      | (1,472)                 |
| 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>2,033</b>               | <b>11,238</b>           |
| <b>Cash flows related to investing activities</b>               |                            |                         |
| 1.9 Payment for purchases of:                                   |                            |                         |
| (a) investment securities                                       | -                          | -                       |
| (b) exploration   | (507)                      | (1,782)                 |
| (c) mine development  | -                          | -                       |
| (d) property, plant & equipment                                 | (1,388)                    | (1,682)                 |
| (e) security deposits   | (361)                      | (641)                   |
| 1.10 Proceeds from sale of:                                     |                            |                         |
| (a) prospects   | -                          | -                       |
| (b) equity investments  | 456                        | 456                     |
| (c) property, plant & equipment                                 | 650                        | 650                     |
| 1.11 Loans to other entities                                    | -                          | -                       |
| 1.12 Loans repaid by other entities                             | 2,961                      | 4,711                   |
| 1.13 Other (provide details if material)                        | -                          | -                       |
| <b>Net investing cash flows</b>                                 | <b>1,811</b>               | <b>1,712</b>            |
| 1.14 Total operating and investing cash flows (carried forward) | 3,844                      | 12,950                  |
| <b>Cash flows related to financing activities</b>               |                            |                         |
| 1.15 Proceeds from issues of shares, options, etc.              | -                          | -                       |
| 1.16 Proceeds from borrowings                                   | -                          | 2,677                   |
| 1.17 Repayment of borrowings                                    | (3,303)                    | (3,807)                 |
| 1.18 Proceeds from advance on sales                             | 31,976                     | 65,051                  |
| 1.19 Repayments of advance on sales                             | (32,920)                   | (77,333)                |
| 1.20 Dividends paid   | -                          | -                       |
| 1.21 Other (provide details if material)                        | -                          | -                       |
| <b>Net financing cash flows</b>                                 | <b>(4,247)</b>             | <b>(13,412)</b>         |
| <b>Net increase (decrease) in cash held</b>                     |                            |                         |
| 1.22 Cash at beginning of quarter/year to date                  | 1,124                      | 1,183                   |
| 1.23 Exchange rate adjustments to item 1.19                     | -                          | -                       |
| <b>Cash at end of quarter</b>                                   | <b>722</b>                 | <b>722</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<br>\$A'000 |
|------|--|----------------------------|
|      | Payments to Noble Group: Commission  | 1,296                      |
|      | Interest   | 467                        |
|      | Payments to Swick Mining Services (Non-executive chairman of Territory, Mr A Simpson and Non-executive director Mr Joe Ariti, are non-executive directors of Swick Mining Limited) | 186                        |
|      | Payment of salaries and fees to directors  | 98                         |
| 1.24 | Aggregate amount of payments to the parties included in item 1.2   | 2,047                      |
| 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

|   |  |
|---|--|
| - |  |
|---|--|

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

|   |  |
|---|--|
| - |  |
|---|--|

**Financing facilities available**

Add notes as necessary for an understanding of the position.

|     |                             | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities             | 55,345                      | 55,345                 |
| 3.2 | Credit standby arrangements | -                           | -                      |

**Estimated cash outflows for next quarter**

|              |                            | \$A'000    |
|--------------|----------------------------|------------|
| 4.1          | Exploration and evaluation | 100        |
| 4.2          | Development                | -          |
| <b>Total</b> |                            | <b>100</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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|--------------------------|----------------------------|-----------------------------|
| 5.1  | Cash on hand and at bank | 510                        | 912                         |
| 5.2  | Deposits at call         | 212                        | 212                         |
| 5.3  | Bank overdraft           |                            |                             |
| 5.4  | Other (provide details)  |                            |                             |
| <b>Total: cash at end of quarter (item 1.22)</b> |                          | <b>722</b>                 | <b>1,124</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. (Sale of interest in Warrego tenements that are not part of the Frances Creek operation) | MLC81 Sold to Aard Metals     | 100%                             | Nil                        |
|   | MLC82 Sold to Aard Metals     | 100%                             | Nil                        |
|   | MLC103 Sold to Aard Metals    | 100%                             | Nil                        |
|   | MLC104 Sold to Aard Metals    | 100%                             | Nil                        |
|   | MLC105 Sold to Aard Metals    | 100%                             | Nil                        |
|   | MLC106 Sold to Aard Metals    | 100%                             | Nil                        |
|   | MLC682 Sold to Aard Metals    | 100%                             | Nil                        |
| 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<br>(see note 3) (cents)           | Amount paid up per<br>security (see note 3)<br>(cents)                       |
|---|---|---------------|--|--|
| 7.1 <b>Preference +securities</b> (description)   | -   | -             | -  | -  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of<br>capital, buy-backs, redemptions | -   | -             | -  | -  |
| 7.3 <b>+Ordinary securities</b>   | 264,606,388   | -             | -  | Fully Paid   |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of<br>capital, buy-backs              | -   | -             | -  | -  |
| 7.5 <b>+Convertible debt securities</b><br>(description)  | -   | -             | -  | -  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities<br>matured, converted              | -   | -             | -  | -  |
| 7.7 <b>Options</b> (description and conversion<br>factor)   | 2,500,000<br>500,000<br>833,000<br>1,250,000<br>4,500,000 | -             | Exercise price<br>90c<br>90c<br>\$1.00<br>\$1.50<br>\$1.11 | Expiry date<br>21 Aug 10<br>21 Dec 10<br>21 Dec 11<br>21 Dec 12<br>31 Mar 11 |
|   | 9,583,000   | -             |  |  |
| 7.8 Issued during quarter   | -   | -             | -  | -  |
| 7.9 Exercised during quarter  | -   | -             | -  | -  |
| 7.10 Expired during quarter   | -   | -             | -  | -  |
| 7.11 <b>Debentures</b><br>(totals only)   | -   | -             | -  | -  |
| 7.12 <b>Unsecured notes</b> (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: 27 January 2010

Print name: Patrick McCole