



Territory Resources Limited

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3 March 2010

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

Dear Sir/Madam

Interim Report for the Financial Half-Year Ended 31 December 2009

Attached are copies of:

- a Media Release in regard to the Half-Year Results; and
- the Company's Interim Report for the Financial Half-Year ended 31 December 2009.

Yours sincerely,

Patrick McCole
Company Secretary



An Australian Resources Group

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A.B.N. 53 100 552 118



Media/ASX Release

3 March 2010

Territory Delivers \$47M Turnaround in Interim Earnings *\$13.7 Million Net Profit for Six Months to 31 December 2009*

HIGHLIGHTS:

- 25% increase in sales revenue to \$82.0M on lump & fines sales of 1.2Mt
- Production of 1.1Mt of lump & fines achieved for the period
- Strong cash generation enables debt repayment – debt to Noble Group now consolidated into a single loan of US\$43.4 million
- Results provide strong platform for growth and diversification through acquisition
- Territory receives \$5.7 million Monarch repayment

Australian iron ore producer Territory Resources Limited (ASX: **TTY** – “Territory” or “the Company”) has delivered an impressive **\$47.0 million*** turnaround in its first half earnings after today unveiling a **\$13.7 million** net profit after tax for the half-year ended 31 December 2009.

The strong result – which compares with the \$33.3 million net loss incurred in the previous corresponding period due mainly to foreign exchange losses and asset impairments – reflects improved iron ore prices, the success of the Company focusing on increased production and reduced costs at its Northern Territory iron ore operations, together with a reversal of a prior impairment of the Monarch debt totalling \$3.8 million and gains on foreign exchange transactions of \$4.7 million.

This represents a successful repositioning and recovery over the past 18 months from the previous diversification strategy and the impact of the Global Financial Crisis. This has included implementing the first phase of a comprehensive debt restructure, the sale of non-core assets and a strong focus on core strengths in open pit mining and bulk commodity logistics.

The first half profit was struck on sales revenue of **\$82.0 million** (1H FY09: \$65.5 million) representing the sale of 1.196 million tonnes of high-grade lump and fines to Chinese customers. Production of **1.066 million tonnes** (1H FY 09: 796,000 tonnes) of high-grade lump and fines ore was achieved for the period from Territory’s 100%-owned Frances Creek iron ore operation.

The major profit rebound directly reflects the significant increase in export volumes and revenues together with a substantial decrease in production costs compared with the previous half year.

Territory completed 15.7 shipments of iron ore to China during the period and continues to maintain its fully sold position through its strong association with Noble Resources Ltd (“Noble”) in Hong Kong. The 16th shipment was completed on 2 January 2010.

The Company generated free cash flow of **\$11.2 million** for the first half (1H FY09: \$8.0 million), with ore production focused on the Thelma Rosemary, Ochre Hill and Helene 3, 5 and 6/7 open pits.

The bottom line profit translated to earnings per share of **5.17 cents** (1H FY09: loss of 12.6 cents).

The net earnings of the Company for the period have been applied to the repayment of the Noble debt.

*Note: * All Dollars in this release are Australian Dollars unless otherwise specified*



“This is an excellent result, reflecting continued improvements in our operational performance as well as a successful first stage restructure of the Company’s financial position and balance sheet,” said Territory’s Managing Director, Andy Haslam.

“Our entire team is working together in unison towards the common goal of increasing production to a steady-state level of 2.2Mtpa and maintaining our cost of production below \$50/tonne,” Mr Haslam said. “For a boutique operation, that positions us very attractively on the global cost curve and means we are well placed to benefit from the recent increase in iron ore prices.”

In September 2009, Territory concluded an agreement allowing for the assignment of debt to Noble relating to the Company’s previous foreign exchange hedge book and for an extension of the Noble debt to 31 October 2010. Territory and Noble have now agreed to a further extension of the Noble debt to 31 March 2011, or such later date as agreed by Noble. During the first half, Territory reduced the debt under the Advanced Payment on Sales facility, from \$20.4 million at 30 June 2009 to \$7.4 million at 31 December 2009.

In addition to the Advance Payment on Sales facility and subsequent to the end of the period, Territory finalised an agreement with Noble consolidating the Company’s loan facilities into one debt totalling US\$43.4 million.

During the period, Territory also received a \$456,000 deposit for the sale of the Company’s stake in India Resources Limited (with a remaining balance of \$1.5 million to be received in the second half) and a non-recourse payment of \$2.96 million from the Administrators of Monarch Gold Mining Company Limited (“Monarch”). On 26 February 2010, the recapitalisation of Monarch was completed, which entitled Territory to become the sole beneficiary of the Minjar Project trust from which a payment in excess of \$5.7 million was received by Territory. Total funds recovered to date amount to \$8.7 million. The Company stands to recover the balance of the \$16.8 million owed by Monarch, subject to the recapitalisation transaction completing over the course of the next two years.

Market Update & Growth Strategy

Iron ore prices continued to strengthen during the first half, with the spot price reaching US\$81.50/tonne for lump and US\$70/tonne for fines in December 2009. Spot iron ore prices are now approximately 90% above the benchmark price and Territory is maintaining strong cost control measures to minimise any impact of variations between the Australian and US dollars.

“Recent reports are indicating an additional increase for 2010 iron ore benchmark prices, which if it eventuates, provides further good news for the iron ore sector and will reflect the prevailing prices seen in the spot market for some months now,” said Territory’s Chairman, Mr Andrew Simpson.

“We are continuing to benefit from the strength of the spot iron ore market, with prices enabling us to realise a substantial cash margin on our production,” Mr Simpson said. “As previously foreshadowed, our strategy is to utilise this strong cash generation capability to extinguish our corporate debt as quickly as possible, while at the same time, supporting our growth and acquisition strategy.

“As outlined last year, we firmly believe that it is now time to expand our geographic footprint and establish a resource base for the future, underpinned by our market reputation and the expertise we have developed at Frances Creek,” he continued. “This strategy, which is supported by Noble, is already well underway and is being spearheaded by a recently established internal Business Development team.

“At the same time, we are continuing to focus on opportunities to extend the operational life at Frances Creek through ongoing assessment of the potential to develop a sales program for high-manganese iron ore deposits in the region and a review of all lower grade iron ore deposits in the area.



Territory Resources Limited

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- ENDS -

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On behalf of:
Andy Haslam
Managing Director
Territory Resources Ltd
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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.



**ABN 53 100 552 118
AND CONTROLLED ENTITIES**

INTERIM REPORT

31 DECEMBER 2009

TERRITORY RESOURCES LIMITED

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CORPORATE DIRECTORY

DIRECTORS

Andrew Simpson	Non-Executive Chairman
Andy Haslam	Managing Director
Michael Donaldson	Non-Executive Director
Fiona Harris	Non-Executive Director
Ian McCubbing	Non-Executive Director
Giuseppe Ariti	Non-Executive Director

COMPANY SECRETARY

Patrick McCole

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ASX CODE

TTY

TERRITORY RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Andrew Simpson (Chairman)

Andy Haslam (Managing Director)

Giuseppe Ariti

Michael Donaldson

Fiona Harris

Ian McCubbing

REVIEW AND RESULTS OF OPERATIONS

The Company recorded a profit after income tax for the period of \$13.669 million compared with a loss in 2008 of \$33.341 million.

The operational and financial results for Territory Resources Limited and its consolidated entities ("Territory" or "the Group" or "the Company") for the six month period reflect the benefits of the operational changes implemented in early 2009 as well as improved iron ore pricing, together with a reversal of a prior impairment of the Monarch debt totalling \$3.8 million and gains on foreign exchange transactions of \$4.7 million.

The Company has been focused on increased 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 Resources Ltd ("Noble") in Hong Kong. During the period the Company shipped 1,196,000 tonnes of high-grade lump and fines iron ore to Chinese customers in 15.7 shipments, with the 16th shipment being completed on 2 January 2010.

The Frances Creek Iron Ore Mine continued to perform strongly. Territory produced 1,066,000 tonnes of high-grade lump and fines ore (2008: 769,000 tonnes) and generated free cash flow from operations of \$11.2 million (2008:\$8.01million) for the half-year period.

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

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 or such later date as agreed.

During this time the Company is required to make monthly interest payments and quarterly principal repayments. On 26 February 2010, Noble agreed to an extension of the debt repayment date to 31 March 2011 or such later date as agreed. During the period Territory significantly reduced the debt under the Advance Payment on Sales Facility from \$20.4 million at 30 June 2009 to \$7.4 million at 31 December 2009.

On 18 December 2009 the Company 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, with documentation signed on 6 January 2010. The debt has been consolidated on normal commercial terms for a loan facility of this nature that would be provided by a financial institution.

TERRITORY RESOURCES LIMITED

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 an \$1.5 million inter-company loan previously provided to IRL by Territory, for a total cash settlement of \$1.956 million. The Company received \$456,000 prior to period end and the repayment of the \$1.5 million loan is expected to occur in the second half of the year, with funds received to be applied in repayment of the Noble debt.

Monarch Gold Mining Company Limited

Subsequent to the end of the period, the completion date for the proposed recapitalisation of Monarch Gold Mining Company Limited ("Monarch") was extended by the Monarch Administrator until 26 February 2010.

On 9 October 2009, the Company received a non-recourse payment of \$2.961 million 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 period 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.

Completion of the Monarch recapitalisation occurred on 26 February 2010 with the Company receiving a total of \$5.7 million which was held in the Minjar Project Trust, (*refer events subsequent below*).

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

EVENTS SUBSEQUENT TO BALANCE DATE

On 26 February 2010, Noble extended the Company's core debt repayment date to 31 March 2011 or such later date as agreed.

On 26 February 2010 completion of the Monarch recapitalisation occurred with a payment of \$5.7 million received by the Company.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 3 of the financial report.

Signed in accordance with a resolution of the directors.


Andrew Simpson
NON-EXECUTIVE CHAIRMAN
Perth, 3 March 2010

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Auditor's Independence Declaration

As lead auditor for the review of Territory Resources Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Territory Resources Limited and the entities it controlled during the period.



Nick Henry
Partner
PricewaterhouseCoopers

Perth
3 March 2010

TERRITORY RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Notes	Half - Year	
		2009 \$'000	2008 \$'000
Revenue from continuing operations			
Sale of goods	2a	82,024	65,522
Cost of goods sold		<u>(71,002)</u>	<u>(56,893)</u>
Gross profit		11,022	8,629
Other revenue	2a	62	447
Other income	2b	5,188	1,173
Expenses			
Exploration expenditure		(101)	(127)
Administration		(4,433)	(7,081)
Occupancy		(114)	(202)
Financial costs	2c	(2,150)	(15,380)
Impairment	2d	3,795	(9,517)
Fair value loss on derivatives	2e	-	(15,087)
Profit / (Loss) before income tax		13,269	(37,145)
Income tax benefit		<u>400</u>	<u>3,804</u>
Profit / (Loss) for the period		<u>13,669</u>	<u>(33,341)</u>
Profit / (Loss) is attributed to :			
Equity holders of the company		13,669	(32,844)
Non-controlling Interest		<u>-</u>	<u>(497)</u>
		<u>13,669</u>	<u>(33,341)</u>
Other comprehensive income / (loss)			
Changes in fair value of cash flow hedges		1,615	(15,087)
Changes in fair values of available-for-sale financial assets		60	(736)
Income tax on other comprehensive income		-	-
Other comprehensive income / (loss) for the period, net of income tax		<u>1,675</u>	<u>(15,823)</u>
Total comprehensive income / (loss) for the period		<u>15,344</u>	<u>(49,164)</u>
Basic and diluted earnings / (loss) per share (cents per share)		5.17	(12.60)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

TERRITORY RESOURCES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	31 December 2009 \$'000	30 June 2009 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		722	1,183
Trade and other receivables		15,782	10,027
Inventories		20,962	23,863
Held for sale assets		-	2,380
Other current assets		87	137
Total Current Assets		37,553	37,590
Non-current Assets			
Trade and other receivables		1,521	929
Available for sale financial assets		479	1,189
Property, plant and equipment		44,063	47,128
Exploration		9,628	10,042
Total Non-current Assets		55,691	59,288
Total Assets		93,244	96,878
LIABILITIES			
Current Liabilities			
Trade and other payables		15,744	15,321
Loans and borrowings	3	61,569	79,465
Provisions		1,244	1,573
Derivative financial instruments		-	1,329
Total Current Liabilities		78,557	97,688
Non-current Liabilities			
Loans and borrowings	3	434	-
Provisions		3,454	3,327
Total Non-current Liabilities		3,888	3,327
Total liabilities		82,445	101,015
Net Assets / (Liabilities)		10,799	(4,137)
EQUITY			
Contributed equity		118,284	118,284
Reserves		4,671	3,394
Accumulated losses		(112,156)	(126,445)
Attributable to equity holders of the company		10,799	(4,767)
Non-controlling interest		-	630
Total Equity / (Deficiency)		10,799	(4,137)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

TERRITORY RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Attributable to members of Territory Resources Limited					
	Contributed Equity	Reserves	Accumulated losses	Total	Non- controlling interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance at 1 July 2008	118,284	8,395	(59,046)	67,633	4,665	72,298
Loss for the period	-	-	(32,844)	(32,844)	(497)	(33,341)
Changes in the fair value of available for sale financial assets, net of tax	-	(736)	-	(736)	-	(736)
Changes in the fair value of cash flow hedges, net of tax	-	(15,087)	-	(15,087)	-	(15,087)
Total comprehensive income for the half year	-	(15,823)	(32,844)	(48,667)	(497)	(49,164)
Transactions with owners in their capacity as owners:						
Non-controlling interest on acquisition of subsidiary	-	-	-	-	485	485
Employee share options – value of employee services	-	557	-	557	-	557
	-	557	-	557	485	1,042
Balance at 31 December 2008	118,284	(6,871)	(91,890)	19,523	4,653	24,176
Balance at 1 July 2009	118,284	3,394	(126,445)	(4,767)	630	(4,137)
Profit for the period	-	-	13,669	13,669	-	13,669
Changes in the fair value of available for sale financial assets, net of tax	-	60	-	60	-	60
Changes in the fair value of cash flow hedges, net of tax	-	1,615	-	1,615	-	1,615
Total comprehensive income for the half year	-	1,675	13,669	15,344	-	15,344
Transactions with owners in their capacity as owners:						
Sale of subsidiary	-	-	-	-	(630)	(630)
Transfer of reserves	-	(620)	620	-	-	-
Employee share options – value of employee services	-	222	-	-	-	-
	-	(398)	620	222	(630)	(408)
Balance at 31 December 2009	118,284	4,671	(112,156)	10,799	-	10,799

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

TERRITORY RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	2009 \$'000	Half-Year 2008 \$'000
Cash flows from operating activities			
Receipts from customers		80,219	69,591
Payments to suppliers and employees (inclusive of GST)		(65,930)	(61,171)
Payments on settlement of derivative financial instruments		(1,796)	-
Payments for exploration expenditure expensed		(101)	-
Interest and other costs of finance paid		(1,143)	(331)
Net cash inflow from operating activities		11,249	8,089
Cash flow from investing activities			
Interest and other items of a similar nature received		62	447
Proceeds from the sale of equity investments		213	-
Proceeds from the sale of plant & equipment		650	-
Payments for exploration capitalised		(1,782)	(4,321)
Payments for plant & equipment		(1,682)	(6,676)
Payments for mine development		-	(6,427)
Payments for bonds		(641)	-
Proceeds from the sale of subsidiary		1,750	-
Proceeds from loan funds repaid by other entities		2,961	-
Net cash inflow / (outflow) from investing activities		1,531	(16,977)
Cash flows from financing activities			
Proceeds from borrowings		2,348	-
Repayment of borrowings		(4,136)	(379)
Proceeds from advances on sales		65,051	10,850
Repayments of advances on sales		(76,504)	-
Finance lease payments		-	-
Net cash (outflow) / inflow from financing activities		(13,241)	10,471
Net (decrease) / increase in cash and cash equivalents		(461)	1,583
Cash and cash equivalents at the beginning of the financial year		1,183	1,918
Cash and cash equivalents at the end of the year		722	3,501

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

TERRITORY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT.

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2009 and any public announcements made by Territory Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009.

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the directors' report and half-year financial report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Working Capital Deficiency

At 31 December 2009, the Group had net current liabilities of \$41.0 million. The negative working capital position at 31 December 2009 is primarily attributable to Group borrowings owed to Noble Resources Limited ("Noble") at 31 December 2009 of \$47.9 million due for repayment on 31 October 2010 or such later date as agreed, the Advanced Payments on Sales facility of \$7.4 million and debt relating to Group land and buildings of \$5 million due for refinancing within the next 12 months.

Subsequent to the period end, the Group has obtained agreement from Noble to extend the repayment terms on its Group borrowings of \$47.9 million from Noble to 31 March 2011 or such later date as agreed. Notwithstanding this amendment to its borrowing arrangements, under accounting standard AASB 101 (revised 2007) *Presentation of Financial Statements*, the loan amount is still required to be disclosed as a current liability as the extension to 31 March 2011 was obtained post 31 December 2009 (Refer note 7: Subsequent events).

The Territory Resources Group generated an operating profit after tax of \$13.7 million during the period and had free cash flow from operating activities of \$11.2 million. Based on the circumstances that exist at the date of signing this report, the Directors are confident that the Group has the capacity to repay its borrowings when due and maintain appropriate working capital funding using the cash flows generated from the Frances Creek Operations.

(c) Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. Initial application of these Standards and Interpretations did not have a material impact on the Group's accounting policies and amounts reported for the current or prior periods.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 30 June 2009, except for the impact of the adoption of the Standards and Interpretations described below:

AASB 101 (revised 2007) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The revised Standard has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Company.

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board that makes the strategic decisions. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments* (AASB 8). Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

The change in accounting policy only impacts presentation and disclosure aspects and thus there is no impact on earnings. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components

The Board considers the business from both a product and a geographic perspective and has identified one reportable segment. The Group operates in predominantly one industry in which the principle activities are iron ore production and exploration.

At the date of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Initial application of these Standards is not expected to have any material impact on the financial report of the Group and the Company.

TERRITORY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	2009 \$'000	Half-Year 2008 \$'000
2. REVENUE AND EXPENSES		
(a) Revenue from operations		
Operating income from the sale of ore	84,038	65,522
Hedge losses on exchange contracts brought to account	(2,014)	-
	<u>82,024</u>	<u>65,522</u>
Interest revenue from other persons	<u>62</u>	<u>447</u>
(b) Other Income		
Despatch and other	525	1,173
Net exchange gain on foreign currency transactions	4,662	-
	<u>5,188</u>	<u>1,173</u>
(c) Finance costs		
Interest and finance charges for financial liabilities not at fair value through profit or loss	2,150	1,887
Net exchange losses on foreign currency transactions	-	13,493
	<u>2,150</u>	<u>15,380</u>
(d) Impairment costs		
Investments	-	8,747
Receivable (i)	(3,795)	770
	<u>(3,795)</u>	<u>9,517</u>
(e) Fair value loss on derivatives		
Fair value loss on ineffective foreign exchange cash flow hedges (ii)	-	15,087

(i) *Reversal of Impairment*

As at 31 December the Group had receivables owing from Monarch of \$22.6 million of which \$20.7 million had been impaired in previous financial periods, leaving a balance of \$1.9 million. On 26 February 2010, completion of the Monarch recapitalisation occurred with a payment of \$5.7 million received by the Company. The Group has reversed previous impairment of \$3.8 million to recognise the receivable of \$5.7 million as at 31 December 2009.

(ii) *Forward exchange contracts – cash flow hedges*

In the prior period the group was party to derivative financial instruments during the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies.

The majority of the group's revenue is denominated in USD. In order to manage risk against adverse exchange rate movements the Group entered into forward exchange contracts to sell USD.

The portion of the gain or loss on the hedging instrument that is determined to be effective is recognised directly in equity. When the cash flow occurs, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

During 2008/2009, derivative contracts were closed out at their maturity date due to the lower exchange rate, and the balance between the contract rate and market rate has been converted to loans payable.

At balance date the Group held no forward USD exchange contracts.

	2009 \$'000	Half-Year 2008 \$'000
3. BORROWINGS		
CURRENT		
Loans from related party	(a) 55,345	56,789
Loans from unrelated party	(a) -	15,497
Loans from unrelated party	(b) 5,000	5,000
Lease liabilities	(c) 1,224	2,179
Other	-	-
	<u>61,569</u>	<u>79,465</u>
NON CURRENT		
Lease liabilities	(c) 434	-
	<u>62,003</u>	<u>79,465</u>

TERRITORY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. BORROWINGS (Continued)

Secured liabilities and assets pledged as security

- (a) As part of the standstill arrangements with its financiers, and to facilitate a debt restructure, the Company entered into a Security Trust Deed under which it has provided a fixed and floating charge over the Company's assets, a mortgage over its shares in key subsidiaries and a mining tenement mortgage over its Frances Creek mining leases to secure the funding provided by the hedge provider ("the Bank") and Noble Resources Ltd ("Noble"). On 25 September an agreement was reached for Noble to purchase all outstanding loans from the the Bank. Under the agreement Noble also acquired the Bank's security interest and other rights in regard to the debt.

On 15 October 2009, Noble extended the repayment date of its loans until 31 October 2010 or a later date as agreed. As at 31 December 2009 the Noble core debt was consolidated with the debt that Noble purchased from the Bank into one debt totaling US\$43.36 million, with documentation executed on 6 January 2010. All loans from related parties were provided by Noble and denominated in US dollars, converted to Australian dollars at the reporting date at a rate of 0.8969. Interest is based on US\$ libor plus a 5% margin grossed up to include withholding tax payable to the Australian Taxation Office. Interest is paid monthly and a principal amount of US\$140,000 is paid quarterly.

Subsequent to the period end, the Group obtained agreement from Noble to extend the repayment terms to 31 March 2011 or a later date as agreed, however due to accounting standard AASB 101 (revised 2007) Presentation of Financial Statements, the loan amount is required to be disclosed as a current liability as the extension was obtained post 31 December 2009.

- (b) The loan from unrelated party of \$5 million is secured by a first ranking mortgage over the Group's freehold land and building.
- (c) Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors has considered the business from both a product and a geographic perspective. The Group is involved in the mineral exploration and resource development sector and primarily focused on the Frances Creek Project, located in the Northern Territory.

5. COMMITMENTS FOR EXPENDITURE

In order to maintain the tenement covenants in which the Company and its controlled entities are involved, the Group is committed to fulfil the minimum annual expenditure conditions under which the covenants are granted. Since the last reporting date, there has been no material change to these commitments.

6. RELATED PARTY TRANSACTIONS

During the reporting period the following transactions occurred with related parties:

Matilda Zircon Limited (formerly known as Olympia Resources Limited)

Between February and June 2008, the Company advanced monies to Matilda Zircon. The loan balance outstanding at 30 June 2009 was \$1.75 million. These funds were advanced on commercial terms.

The Company entered into a conditional agreement in the previous financial period for the disposal of 171,282,253 shares (73.53%) in Matilda Zircon and for the assignment of the \$1.75 million loan in consideration of receiving \$1.75 million in cash. The sale agreement was completed on 24 July 2009 with the Company receiving the funds and disposing of its entire interest in Matilda Zircon.

India Resources Limited

During the financial year ending June 2008, the Company advanced monies to India Resources totaling \$1.75 million. No funds were advanced or received from India Resources Limited during the half-year ended 31 December 2009. The balance outstanding as at 31 December 2009 is \$1.5 million. On 15 July 2009 the parties entered into a negative pledge deed under which, the term of the loan has been extended to 1 July 2010 and India is required to obtain written consent from Territory before it takes on any additional debt.

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 \$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 \$1.5 million loan will occur in four tranches with an initial payment of \$750,000 followed by three further payments of \$250,000. The share sale totalling \$456,456 will complete on settlement of the first tranche, being \$750,000. Accrued interest will be accounted as a loss on sale.

TERRITORY RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6. RELATED PARTY TRANSACTIONS (Continued)

Noble Group

During the half-year, Territory received advances on sales of USD \$56.85 million from Noble and repaid USD \$66.81 million. The interest expense on the loan and sales advances amounted to USD \$0.212 million and interest of USD \$0.212 million was repaid. The net carrying amount of advances on sales at 31 December 2009 is USD \$6.6 million.

On 3 July 2009, Territory reached agreement with the Bank and Noble in which the parties agreed to an extension of the Tripartite Standstill Agreement ("Standstill") entered into on 1 April 2009. Under the Standstill the Bank and Noble agreed not to enforce their rights for immediate repayment of their debts to facilitate negotiations for the conversion of the debts into long term facilities.

On 25 September 2009 a conditional agreement was reached between the parties for Noble to purchase the loan from the Bank totalling \$17.6 million. Under the agreement Noble also acquired the Bank's security interest and other rights in regard to the debt. The transfer was subject to documentation and settlement by 29 September 2009 and the Bank and Noble provided the Company with written extensions to the repayment dates to enable the transaction to be completed. On 29 September 2009, 2 October 2009 and 5 October 2009 the Bank and Noble provided further extensions and the transaction was finally concluded on 6 October 2009. Under the agreement the Security Trust Deed that held the securities under the Standstill was terminated and Noble assumed these securities in its own right (including its interest in the securities that was approved by Territory's shareholders at the General Meeting held on 16 July 2009).

On 26 February 2010, Noble extended the debt repayment date to 31 March 2011, or such later date as agreed.

Territory also paid the Noble Group \$2,872,312 for marketing services in relation to the sales of iron-ore during the half-year. The Company has a life-of-mine Marketing and Off-take Agreement with Noble, a major shareholder, for all the iron ore produced at the Frances Creek mine. The marketing agreement is an arms length transaction on normal commercial terms and was ratified by shareholders at the General Meeting of Shareholders held on 16 July 2009.

Resources & Technology Marketing Services Pty Ltd

Mr A Simpson is a director of Resources & Technology Marketing Services Pty Ltd which during the half-year provided marketing services to the Group to the value of \$66,000. The services were provided on normal commercial terms.

Matilda Minerals Limited

On 21 October 2008, Matilda Minerals Limited ("Matilda") entered into Voluntary Administration. At the date of Administration, Territory held 27.4% of Matilda representing an initial investment of \$11.1 million. During the financial year ended 30 June 2008 the Company impaired \$4.6 million of this investment and has impaired the remaining \$6.5 million during the year ended 30 June 2009. The net carrying amount at 31 December 2009 is \$Nil.

No transactions occurred with Matilda during the half-year.

Transactions with other parties

Mr A Simpson and Mr G Ariti are both non-executive directors of Swick Mining Services. Swick provided mineral drilling services on a non-exclusive basis to Territory during the half-year and the value of these services during the half-year amounted to \$1.12 million. The services were provided on normal commercial terms. The drilling service contract with Swick was terminated in November 2009.

7 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to half-year end, the following events have occurred that are likely to have an effect on the results or the state of affairs of the consolidated entity in subsequent financial periods:

Noble Debt Extension

On 26 February 2010, Noble extended the debt repayment date to 31 March 2011, or such later date as agreed by the parties.

Monarch recapitalisation

On 26 February 2010, completion of the Monarch recapitalisation occurred, with a payment of \$5.7 million received by the Company.

TERRITORY RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

In the opinion of the Directors:

- (a) the financial statements and notes set out in page 4 to 11 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date, and
 - (ii) complying with Accounting Standards, and the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution by the directors of Territory Resources Limited.

On behalf of the Board



Andrew Simpson
Chairman

Perth, 3 March 2010

**Independent auditor's review report to the members of
Territory Resources Limited**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Territory Resources Limited, which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Territory Resources Limited Group (the consolidated entity). The consolidated entity comprises both Territory Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Territory Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting

**Independent auditor's review report to the members of
Territory Resources Limited (continued)**

when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Territory Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry

Nick Henry
Partner

Perth
3 March 2010