



Territory Resources Limited

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20 November 2008

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

Dear Sir/Madam

Market and Operational Update

Attached is a Media Release in regard to a Market and Operational Update.

Yours sincerely,

Patrick McCole
Company Secretary



An Australian Resources Group

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Media/ASX Release

20 November 2008

Market and Operational Update

In light of the continued deterioration in global market conditions and commodity prices, Territory Resources Limited (ASX: TTY) (the "Company" or "Territory") provides the following update on its activities.

Iron Ore Prices

As has been widely reported, the global economic crisis combined with a significant build-up of iron ore stockpiles in China during the Olympics has resulted in a significant fall in spot iron ore prices of up to 40% for certain products. The Company currently delivers all of its product from the Frances Creek mine in the Northern Territory into spot sales.

However, the Company is scheduled to dispatch a marketing team to China in the second week of December to progress negotiations for long-term sales contracts with pricing set against prevailing benchmarks and are expected to be concluded during the early part of next year.

Until this process is concluded, the Company is not in a position to assess its longer-term revenue stream or provide a considered forecast on the iron ore market for 2009 and beyond. Most commodity companies are currently in a similar position.

Territory believes that current movements in the spot iron ore price as well as production cut-backs announced by major producers should also be viewed in the context of market positioning ahead of the commencement of negotiations for next year's annual contract prices.

Impact of Global Market Conditions and Commodity Prices

Given the current market environment, the risk factors and circumstances affecting the Company can be summarised as follows:

- Achieving spot ore sales has been difficult, particularly during the early part of the December Quarter, however through continuing strong support from the Noble Group marketing team, sales have been continuing and the Company expects to return to a fully sold position by the end of the Quarter.
- During the past two months, spot prices for iron ore have declined by as much as 40%, which has been partially offset by the fall in the Australian dollar and reduced shipping costs. However, Territory's foreign exchange hedging position as at 30 June 2008 (as set out in the 2008 Annual Report) means that the Company is likely to experience a reduction in future profitability and free cash flow until the hedges expire in August 2009.
- The future profitability and free cash flows of the Company are dependent upon a recovery in the spot iron ore price and/or the ability to secure favourable terms in the negotiation of long-term contracts.
- The further decline in economic conditions and tightening of credit has meant that the Company has not yet achieved the planned third party financing as outlined in the 2008 Annual Report, however negotiations to secure a banking debt facility are continuing.
- Territory's major shareholder, Noble Group, continues to provide support to the Company as necessary.
- The Company has taken advantage of delays in the arrival of some components associated with the further development of the East Arm berth in the Port of Darwin to defer incurring capital costs relating to this until after February 2009.
- The Company has also delayed parts of its 2008/09 exploration program over the forthcoming wet season.
- The Company is taking other measures to reduce non-essential expenditures across the organisation and prudently manage its cash resources in these difficult economic times.
- The operating performance at the Frances Creek mine continues to be positive, with year to date operating costs being some 4% less than budgeted.



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- Further declines in the market value of investments in associated entities after 30 June 2008 are likely to require the Company to make additional provisions against the carrying values of these assets, unless the position reverses itself in the near term.
- The Company's ongoing capital needs will be dependent upon spot iron ore prices and the achievement of budgeted sales.

Territory confirms that it will continue to focus on its Frances Creek operations and business activities will continue as normal. The Company will continue to monitor the situation and will provide a more detailed update at the Annual General Meeting to be held on 21 November 2008 at 3.00pm (WDT).

- ENDS -

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On behalf of:
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