



Territory Resources Limited



This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Territory Resources Limited

(ABN 53 100 552 118)

TARGET'S STATEMENT

ACCEPT

(in the absence of a Superior Proposal)

This Target's Statement has been issued in response to the off-market takeover bid made by Exxaro Australia Iron Investments Pty Limited for all the ordinary shares in Territory Resources Limited.

A majority of the directors of Territory Resources Limited (which includes all the independent directors) recommend you ACCEPT the takeover offer from Exxaro Australia Iron Investments Pty Limited (in the absence of a Superior Proposal)

Financial Adviser

 Azure Capital

Legal Adviser

 Freehills

IMPORTANT NOTICES

Nature of this document

This document is a Target's Statement issued by Territory Resources Limited (ABN 53 100 552 118) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Exxaro Australia Iron Investments Pty Ltd (ACN 151 112 524) ("Exxaro Iron"), a wholly owned subsidiary of Exxaro Resources Limited (a company incorporated in South Africa with Registration No. 2000/011076/06), for all the ordinary shares in Territory.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 7 June 2011. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

KEY DATES

| | |
|---|------------------------------|
| Date of Exxaro Iron's Offer | 3 June 2011 |
| Date of this Target's Statement | 7 June 2011 |
| Close of Exxaro Iron's Offer Period (unless extended or withdrawn) | Midnight AWST on 4 July 2011 |

TERRITORY SHAREHOLDER INFORMATION

Territory has established a shareholder information line which Territory shareholders may call if they have any queries in relation to Exxaro Iron's Offer. The telephone number for the shareholder information line is 1300 880 732 (for calls made from within Australia) or +61 2 8280 7496 (for calls made from outside Australia). Calls to the shareholder information line may be recorded.

Further information relating to Exxaro Iron's Offer can be obtained from Territory's website at <http://www.territoryresources.com.au>.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in Section 9 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Territory operates as well as general economic conditions, prevailing iron ore sale prices, exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the

events or results expressed or implied in any forward looking statement. None of Territory, Territory's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Exxaro Iron, Exxaro and the Exxaro Group contained in this Target's Statement has been prepared by Territory using publicly available information. The information in the Target's Statement concerning Exxaro Iron, Exxaro and the Exxaro Group and their assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Territory. Accordingly Territory does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Territory has collected your information from the Territory register of shareholders and option holders for the purpose of providing you with this Target's Statement. The type of information Territory has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Territory. Without this information, Territory would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Territory's related bodies corporate and external service providers (such as the share registry of Territory and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like the details of your information held by Territory, please contact Computershare Investor Services Pty Limited at:

Level 2, 45 St George's Terrace
Perth, Western Australia 6000
Phone: +61 8 9323 2000

The registered address of Territory is Ground Floor, 23 Ventnor Avenue, West Perth, WA, Australia, 6005.



7 June 2011

Dear Fellow Shareholders,

Takeover bid by Exxaro Australia Iron Investments Pty Ltd

On 23 May 2011, Territory Resources Limited ("Territory") announced that it had entered into a Bid Implementation Agreement relating to a proposed off-market takeover offer by Exxaro Resources Limited ("Exxaro") for the acquisition of up to 100% of the fully paid ordinary shares in Territory.

Exxaro is a large South African-based diversified mining group listed on the Johannesburg Stock Exchange with interests in coal, mineral sands, base metals and iron ore.

The formal Offer was made in the Bidder's Statement prepared by Exxaro Australia Iron Investments Pty Ltd ("Exxaro Iron"), a wholly owned subsidiary of Exxaro, dated 3 June 2011. Exxaro Iron is offering \$0.46 cash for each Territory Share.

After careful consideration, a majority of five out of the six directors of Territory (which includes all the independent directors) recommend that you ACCEPT Exxaro Iron's Offer in the absence of a Superior Proposal, for the following key reasons:

- **Significant premium.** The Offer price represents a significant premium to recent trading in Territory Shares, including:
 - a 64% premium to Territory's last closing share price prior to announcement of the Offer (on 23 May 2011) of A\$0.28 per Share; and
 - a 69% premium to the volume weighted average price of Territory Shares in the period between releasing a market update on 19 April 2011 and announcement of the Offer.
- **Cash consideration, and attractive value.** The Offer provides you with the opportunity to realise your investment in Territory Shares for cash, which compares to the risks and uncertainties of remaining a Territory shareholder. A majority of the Board (which includes all the independent directors) also views the Offer price as attractive relative to Territory's prospects as a stand-alone entity;
- **Favourable iron ore market conditions.** The iron ore market is currently experiencing highly favourable conditions, with Australian dollar spot iron ore prices near to all-time highs. Accepting the Offer mitigates the risks that a Territory shareholder might face in the event that iron ore prices fall below their current high levels;
- **No Superior Proposal to date.** As at the date of this Target's Statement, no Superior Proposal has emerged that would cause the recommending directors to reconsider their position; and
- **Territory Share price is likely to fall if the Offer does not proceed.** Given the price at which Territory's Shares were trading prior to the Offer, Territory's share price could fall substantially if the Offer does not proceed or closes below the level of acceptances required for Exxaro Iron to compulsorily acquire the remaining Territory Shares.

The remaining Territory director, Mr Andrew Simpson, recommends that you reject the Offer. A full discussion of the reasons for all your directors' recommendations, as well as other matters that may be relevant to your decision whether to accept the Offer, is set out in this Target's Statement.



An Australian Resources Group

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I urge you to read both the Target's Statement and the Bidder's Statement in their entirety and, if required, obtain advice from your broker, financial adviser or other professional adviser.

Exxaro Iron's Offer is scheduled to close at midnight AWST on 4 July 2011 (unless extended). To accept Exxaro Iron's Offer, follow the instructions outlined in section 5.4 of the Bidder's Statement and printed on the acceptance form that accompanies the Bidder's Statement.

If, after reading the following document, you have any further queries, please contact Territory's shareholder information line on 1300 880 732 if you are calling from within Australia, or +61 2 8280 7496 if you are calling from overseas, between 8:30am and 7:30pm Australian Eastern Standard Time, Monday to Friday.

Your directors will keep you informed of any further developments in relation to Exxaro Iron's Offer.

Yours sincerely,

Giuseppe (Joe) Ariti
Deputy Chairman
Territory Resources Limited



An Australian Resources Group

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A.B.N. 53 100 552 118

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WHY YOU SHOULD ACCEPT THE OFFER

- Exxaro Iron's Offer represents a significant premium to recent market prices for Territory Shares
- The cash Offer provides all shareholders certain and attractive value for Territory Shares, eliminating the risks and uncertainties of remaining a Territory shareholder
- Current iron ore prices are high relative to historic levels and there can be no guarantee that prices will stay at these levels
- No Superior Proposal has emerged to date
- If the Offer lapses, is withdrawn, or closes with Exxaro Iron having obtained an interest of less than 90%, Territory's Share price could fall significantly



1 WHY YOU SHOULD ACCEPT THE OFFER

The Territory directors have considered the advantages and disadvantages of Exxaro Iron's Offer and five out of the six directors (being Messrs Haslam, Ariti, Donaldson and McCubbing, and Ms Harris, which includes all of the independent directors) (the "Majority Directors") have recommended that Territory shareholders ACCEPT Exxaro Iron's Offer in the absence of a Superior Proposal. The reasons for the Majority Directors' recommendation are set out below.

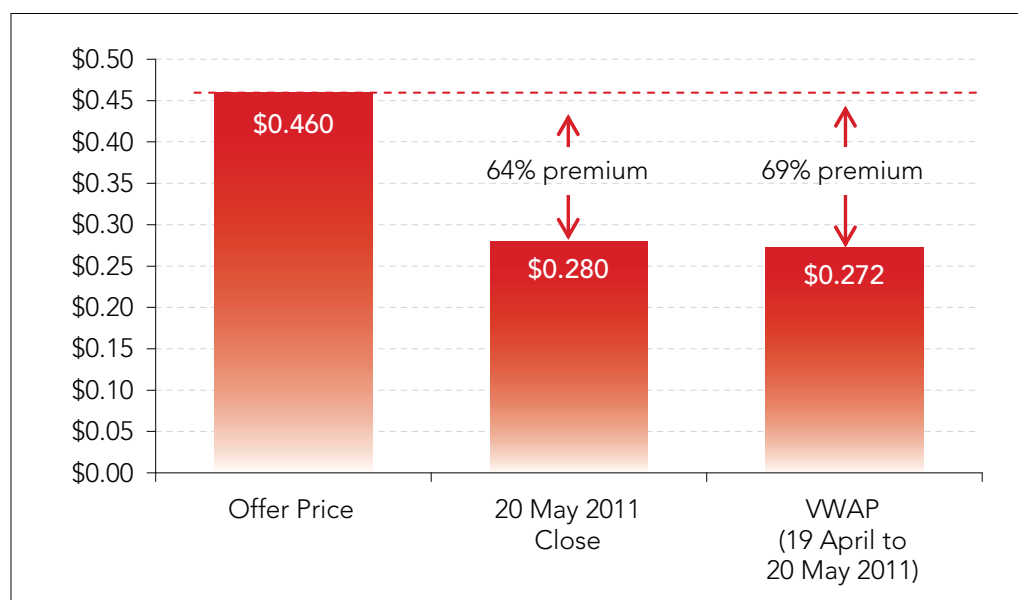
Furthermore, each of the Majority Directors who owns or controls Territory Shares will accept Exxaro Iron's Offer in relation to all Territory Shares (including Territory Shares issued as a result of the vesting of any Territory Performance Rights) owned or controlled by them or their Associates, in the absence of a Superior Proposal.

1.1 Exxaro Iron's Offer represents a significant premium to recent market prices for Territory Shares

The consideration being offered by Exxaro Iron under the Offer is \$0.46 cash per Territory Share. This reflects a significant premium to the levels at which Territory Shares have been trading recently, including:

- a 64% premium to Territory's last closing share price prior to announcement of the Offer of A\$0.28 per Share;
- a 69% premium to the VWAP of Territory Shares in the period between releasing a market update on 19 April 2011 and the Announcement Date.

FIGURE 1: OFFER PRICE PREMIUM TO TERRITORY'S SHARE PRICE PRIOR TO THE OFFER



Source: Bloomberg as at 20 May 2011

Exxaro Iron's Offer also represents a significant premium to Territory's share price over a longer historical period as depicted below:

FIGURE 2: TERRITORY'S SHARE PRICE OVER THE PREVIOUS YEAR



Source: Bloomberg as at 6 June 2011

1.2 The cash Offer provides all shareholders certain and attractive value for Territory Shares, eliminating the risks and uncertainties of remaining a Territory shareholder

In addition to offering a significant premium, Exxaro Iron's Offer provides Territory shareholders with a liquidity event whereby all shareholders are being given the opportunity to crystallise immediate value and realise their investment in Territory Shares for cash.

The certainty of the all cash Offer Consideration should be compared against the risks and uncertainties of remaining a Territory shareholder. These risks include, but are not limited to:

- Share market conditions;
- Iron ore price risk;
- Australian dollar to US dollar exchange rate risk;
- Operating risks; and
- Exploration and mine life risk.

If you accept the Offer and you receive the Offer Consideration as a result, you will not incur brokerage charges that may otherwise be payable on the sale of your Territory Shares.

In addition, the Majority Directors consider that, having regard to their knowledge of the Territory business, the Offer Consideration of \$0.46 per Territory Share represents attractive value for your Territory Shares.

1.3 Current iron ore prices are high relative to historic levels and there can be no guarantee that prices will stay at these levels

Territory's sales revenues are exclusively derived from the sale of iron ore and therefore are highly sensitive to prices achieved in the global spot iron ore market. These prices are driven by international demand and supply dynamics which are influenced by numerous factors which, as a small producer by global standards, are outside Territory's control.

Exxaro Iron's Offer has come at a time when Australian dollar spot iron ore prices are near to historical highs. As shown below, iron ore prices have experienced strong increases in recent months, but there can be no guarantee that prices will stay at these high levels.

FIGURE 3: AUD DOLLAR IRON ORE SPOT PRICE SINCE 2005 (63.5% FE FINES CFR CHINA)



Source: Bloomberg as at 6 June 2011

Accepting the cash consideration offered by Exxaro Iron enables your investment in Territory to be realised at a time of elevated iron ore prices and mitigates the risks that a Territory shareholder might face in the event that iron ore prices fall below their current levels.

1.4 No Superior Proposal has emerged to date

The Majority Directors have agreed to recommend Exxaro Iron's Offer in the absence of a Superior Proposal. The proposed Offer was announced to the market on 23 May 2011. As at the day prior to the date of this Target's Statement, no Superior Proposal has emerged.

The Bid Implementation Agreement with Exxaro restricts Territory from soliciting alternative offers or proposals or responding and negotiating with respect to a Competing Proposal. However, these restrictions do not in any way prevent or restrict a third party from putting forward a Competing Proposal, and the restrictions do not apply in respect of a Competing Proposal where the Territory Board, acting in good faith and having obtained advice from its legal and financial advisers, reasonably determines that the Competing Proposal is a Superior Proposal and failing to respond would be likely to constitute a breach of its fiduciary or statutory duties.

In the event that the Territory Board does determine that a Competing Proposal is a Superior Proposal, Exxaro Iron has a right to be notified of Competing Proposals and a right to match any Superior Proposal, which must be exercised within a period of four Business Days from notification.

Further information on other alternatives to the Offer is contained in Section 4.6.

1.5 If the Offer lapses, is withdrawn, or closes with Exxaro Iron having obtained an interest of less than 90%, Territory's Share price could fall significantly

Since Exxaro Iron's Offer, Territory Shares have traded at a VWAP for the period from the Announcement Date until the Trading Day before the date of this Target's Statement of \$0.45.

If Exxaro Iron's Offer lapses or is withdrawn, or if Exxaro Iron obtains an interest in Territory of less than 90% (being the level at which Exxaro Iron is entitled to compulsorily acquire the remaining Territory Shares) and the Offer closes, there is a significant risk that the Territory Share price will fall back towards the levels prior to the Offer being announced.

Furthermore, if Exxaro Iron becomes the majority owner of Territory, and Territory remains a listed company, the market for your Territory Shares may be less liquid or active. Alternatively, if Exxaro Iron acquires a Relevant Interest in Territory of between 60% and 90%, it has indicated in its Bidder's Statement that it will consider whether or not to seek to have Territory removed from the official list of ASX. Exxaro Iron's ability to do so will depend on the number of remaining Territory shareholders. In either case, it could be more difficult for you to sell your Territory Shares later should you choose to do so.

2 FREQUENTLY ASKED QUESTIONS

This Section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Territory shareholders. This Section should be read together with all other parts of this Target's Statement.

| Question | Answer |
|---|---|
| What is Exxaro Iron's Offer for my Territory Shares? | <p>Exxaro Iron is offering A\$0.46 cash for each Territory Share held by you.</p> <p>Exxaro Iron is the wholly owned subsidiary of Exxaro, which is a large South African-based diversified mining group, with interests in coal, mineral sands, base metals and iron ore.</p> |
| What are the directors of Territory recommending? | <p>A majority of five out of the six Territory directors (which includes all the independent directors) recommend that you accept the Offer in the absence of a Superior Proposal. The reasons for the Majority Directors' recommendation are contained in Section 1 of this Target's Statement.</p> <p>Mr Andrew Simpson, recommends that you reject the Offer.</p> |
| What choices do I have as a Territory shareholder? | <p>As a Territory shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none">• accept the Offer;• sell your Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or• do nothing. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 5 of this Target's Statement.</p> |
| How do I accept the Offer? | <p>Details of how to accept the Offer are set out in section 3 of the Appendix to the Bidder's Statement.</p> |
| What are the consequences of accepting the Offer now? | <p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Territory Shares on the ASX or otherwise deal with your Territory Shares while the Offer remains open.</p> |

| Question | Answer |
|--|--|
| If I accept the Offer, can I withdraw my acceptance? | You may only withdraw your acceptance if Exxaro Iron varies the Offer in a way that postpones the time when Exxaro Iron is required to satisfy its obligations by more than one month. (See Section 6.8 of this Target's Statement for further details). |
| When does the Offer close? | The Offer is presently scheduled to close at midnight AWST on 4 July 2011, but the Offer Period can be extended in certain circumstances. (See Section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended). |
| What are the conditions to the Offer? | In broad terms, the conditions to the Offer are: <ul style="list-style-type: none"> • A 60% minimum acceptance condition; • No exercise of a change of control right by a third party as a result of Exxaro Iron acquiring Territory Shares, in respect of any material assets of, or any material agreements with, Territory. However, this condition does not apply to certain agreements between Territory and Noble; and • Conditions relating to material transactions, prescribed occurrences, material adverse changes, regulatory action, the conduct of Territory's business and the S&P/ASX200 index. (See Section 6.2 and Attachment 1 of this Target's Statement for further details). |
| What happens if the conditions of the Offer are not satisfied or waived? | If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with your Territory Shares even if you had accepted the Offer. Exxaro may declare the Offer and any contract resulting from acceptance of the Offer free from all or any of the conditions referred to in paragraphs 6.1 -to 6.5 of the Appendix to the Bidder's Statement, by giving written notice to Territory: <ul style="list-style-type: none"> • in the case of the condition in paragraph 6.3, not later than 3 Business Days after the end of the Offer Period; and • in the case of all the other conditions in paragraph 6, not less than 7 days before the end of the Offer Period. The date for giving the notice on the status of the conditions referred to in section 630(1) of the Corporations Act is 27 June 2011. If the Offer Period is extended by a period, the date for giving the notice will be postponed for the same period. |

| Question | Answer |
|---|---|
| When will I be sent payment for my Shares if I accept the Offer? | <p>If you accept the Offer while it is still subject to conditions, you will be sent payment for your Shares by Exxaro Iron within one month after the Offer becomes unconditional. If the Offer is unconditional when you accept the Offer, you will be sent payment for your Shares the earlier of within one month after you accept and within 21 days after the end of the Offer Period.</p> <p>(See Section 6.9 of this Target’s Statement for further details on when you will be sent your payment).</p> |
| What are the tax implications of accepting the Offer? | <p>A general outline of the tax implications of accepting the Offer is set out in section 11.6 of the Bidder’s Statement.</p> <p>As the outline is a general outline only, shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p> |
| Is there a number that I can call if I have further queries in relation to the Offer? | <p>If you have any further queries in relation to the Offer, you can call 1300 880 732 (for calls made from inside Australia) or +61 2 8280 7496 (for calls made from outside Australia).</p> |

3 DIRECTORS' RECOMMENDATION

3.1 Summary of Exxaro Iron's Offer

The consideration being offered by Exxaro Iron under its takeover bid is A\$0.46 cash for each Territory Share.

The Offer is subject to a number of conditions including a 60% minimum acceptance condition. The conditions of the Offer are summarised in Section 6.2 of this Target's Statement and the full terms of those conditions are set out in the Appendix to the Bidder's Statement and Attachment 1 of this Target's Statement.

3.2 Directors of Territory

As at the date of this Target's Statement, the directors of Territory are:

| Name | Position |
|-------------------------|------------------------------------|
| Mr Andrew Simpson | Non-Executive Chairman |
| Mr Andrew Haslam | Managing Director |
| Mr Giuseppe (Joe) Ariti | Independent Non-Executive Director |
| Dr Michael Donaldson | Independent Non-Executive Director |
| Ms Fiona Harris | Independent Non-Executive Director |
| Mr Ian McCubbing | Non-Executive Director |

Mr Simpson is not considered independent, as he is a director and the sole member of Resources & Technology Marketing Services Pty Ltd, which provides marketing services to Territory under a marketing services agreement. During the year ended 30 June 2010, Territory paid a total of A\$144,869 to Resources & Technology Marketing Services Pty Ltd.

Mr McCubbing is not considered independent as he was formerly the finance director and employed as an executive of the Company.

3.3 Directors' recommendations

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, five out of the six Territory directors (being Messrs Haslam, Ariti, Donaldson and McCubbing and Ms Harris, which includes all of the independent directors), recommend that you accept the Offer in the absence of a Superior Proposal.

Mr Simpson recommends that you reject the Offer.

In considering whether to accept the Offer, your directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternatives available to you that are noted in Section 5 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

3.4 Majority Directors' reasons for their recommendation

The reasons for your Majority Directors' recommendation that you accept the Offer are:

- 1 the Offer represents a significant premium to recent market prices for Territory shares;
- 2 the cash Offer provides all shareholders certain and attractive value for Territory Shares, eliminating the risks and uncertainties of remaining a Territory shareholder;
- 3 iron ore prices are at high levels relative to historic prices and there can be no guarantee that prices will stay at these levels;
- 4 no Superior Proposal has emerged to date; and
- 5 if the Offer lapses, is withdrawn, or closes with Exxaro Iron having obtained an interest of less than 90%, Territory's share price could fall significantly.

The full reasons for the Majority Directors' recommendation are set out in Section 1 of this Target's Statement.

The Majority Directors have also considered Mr Simpson's reasons for his recommendation that you reject the Offer as set out in Section 3.5 below. Those reasons are Mr Simpson's own views and, to the maximum extent permitted by law, the Majority Directors and Territory take no responsibility for them. Notwithstanding those reasons, the Majority Directors recommend that you accept the Offer, in the absence of a Superior Proposal.

3.5 Mr Simpson's reasons for his recommendation

I recommend that shareholders reject the Offer because I believe that remaining a Territory shareholder, with ongoing exposure to the opportunity of continuing to develop Territory within the existing corporate structure, represents a better outcome for shareholders than accepting the Offer Consideration of \$0.46 per share and ceasing to be a Territory shareholder.

My reasons for this are as follows:

- 1 Territory is in a strong position as an existing iron ore miner with access to infrastructure** – the barriers to entry to develop new mines are constantly increasing, particularly in bulk commodities where significant investment is required to develop rail and port facilities. Operating miners with access to infrastructure hold a very significant advantage over potential and emerging producers. Territory has access to excellent rail and port facilities and, subject to further exploration success and operational upgrades, would face few restrictions to increasing its use of these facilities other than availability of capital. In a globally competitive environment, the value of access to these facilities will only continue to increase.
- 2 Territory is transforming its growth potential through both beneficiation and exploration** – the recent successful commissioning of the first product beneficiation plant at Frances Creek has the potential to increase the exploration opportunities available to Territory. Traditionally, the exploration philosophy in the Frances Creek region has been limited to ores grading above 50% Fe and, until recently, this has been a major factor in restricting the identification of additional Mineral Resources and extending the life of the existing mine. However, the ability to process lower grade ores grading below 50% Fe using beneficiation increases Territory's exploration targets at Frances Creek and the new tenements at McCarthy Hill. If this results in the discovery of additional Mineral Resources (beyond the existing Mineral Resources of approximately 9.3 million tonnes at 58% Fe) that prove economic, this has the potential to substantially extend the operating life of the Frances Creek mine and surrounding areas beyond the current level of three to four years.
- 3 The outlook for the iron ore market remains robust** – global consumption of iron ore continues to increase on an annual basis and upgrading supply remains an ongoing challenge to both existing and potential suppliers. Additionally, domestic iron ore production in China of more than 1 billion tonnes per annum is facing rapidly increasing costs and needs to be at least partially replaced. I believe that this will underpin the current strength of the iron ore market for the foreseeable future, providing a strong and profitable sales base for Territory. Furthermore the recently released China's Five-Year Plan for 2011 to 2015 states that very strong growth is expected in the steel industry and with steel production potentially reaching 750 million tonnes by 2015. This compares with 612 million tonnes in 2010¹. Meeting the demand for iron ore will continue to be a very significant challenge for the global iron ore industry.
- 4 Iron ore production at Frances Creek is returning to target levels following an abnormal wet season** – I believe that operational difficulties at the mine over the past six months due to record rain levels in the Northern Territory have clouded the continuing improvement in operational and financial performance achieved over the past three years. Territory's management team has done a great job over this period in turning the Frances Creek operation around, putting the Company in a position where it can reap the benefits of a strong iron ore market. With production returning to target levels, Territory should return to delivering a robust cash flow that should, in my view, enable it to not only clear all remaining debt during the next financial year, but also underpin its planned exploration programs and the continued upgrade of its beneficiation facilities.

1. 'China stokes mining boom with 25pc surge in steel production'. *The Australian* (31 May 2011)

- 5 **Territory has previously received the backing of one of the world's most powerful commodity traders** – Noble Group in Hong Kong, Territory's largest shareholder, recently entered a non-binding term sheet to convert its outstanding core debt of US\$20.7 million to equity at a significant premium to market (\$0.45 per Territory Share). That proposal, which would have increased Noble's stake in Territory to approximately 40% (and 45% in certain circumstances), was not finalized following the announcement of the Exxaro Iron Offer. Noble has also previously supported the Company, including through its role as an off-taker and marketer, which enabled Territory to continue to sell product during the global financial crisis, and its role as key debt provider to the Company. Noble has also previously supported statements by Territory that Noble is willing to actively assist and work together to pursue Territory's acquisition program. This support from Noble – one of the most powerful and influential commodity trading groups in South East Asia – has greatly assisted Territory.
- 6 **Exxaro has correctly identified an outstanding growth opportunity in Territory** – Exxaro's reasons for wanting to secure ownership of Territory are similar to my own views on the strengths that underpin the value of the Company. As outlined above, my views on the strengths of the Company include access to outstanding infrastructure, an operating mine in a strategic location with significant geographical advantages delivering to the world's fastest growing market, strong iron ore prices, and now, most importantly, beneficiation capability providing the ability to achieve an increase in exploration targets, with the possibility of an extension to the operating life of the mine if exploration proves successful.

3.6 Intentions of your directors in relation to the Offer

Each of the Majority Directors of Territory who has a Relevant Interest in Territory Shares presently intends to accept the Offer in relation to those Shares, in the absence of a Superior Proposal.

Mr Simpson presently intends to reject the Offer in respect of the Territory Shares in which he has a Relevant Interest.

Details of the Relevant Interests of each Territory director in Territory Shares are set out in Section 7 of this Target's Statement.

4 IMPORTANT MATTERS FOR TERRITORY SHAREHOLDERS TO CONSIDER

4.1 The Exxaro Iron Offer

Exxaro announced its intention to make its takeover bid for Territory on 23 May 2011. The key features of the Offer are summarised in Section 6 of this Target's Statement.

The Offer is open for acceptance until midnight AWST on 4 July 2011, unless it is extended or withdrawn (Sections 6.5 and 6.6 of this Target's Statement describe the circumstances in which Exxaro Iron can extend or withdraw its Offer).

4.2 Background information on Territory

Territory is an Australian-based iron ore exploration and production company and has been listed on the Australian Securities Exchange ("ASX") since 2005. Territory's key asset is the 100%-owned Frances Creek project ("Frances Creek"), an operating hematite iron ore mine producing lump and fines iron ore for export.

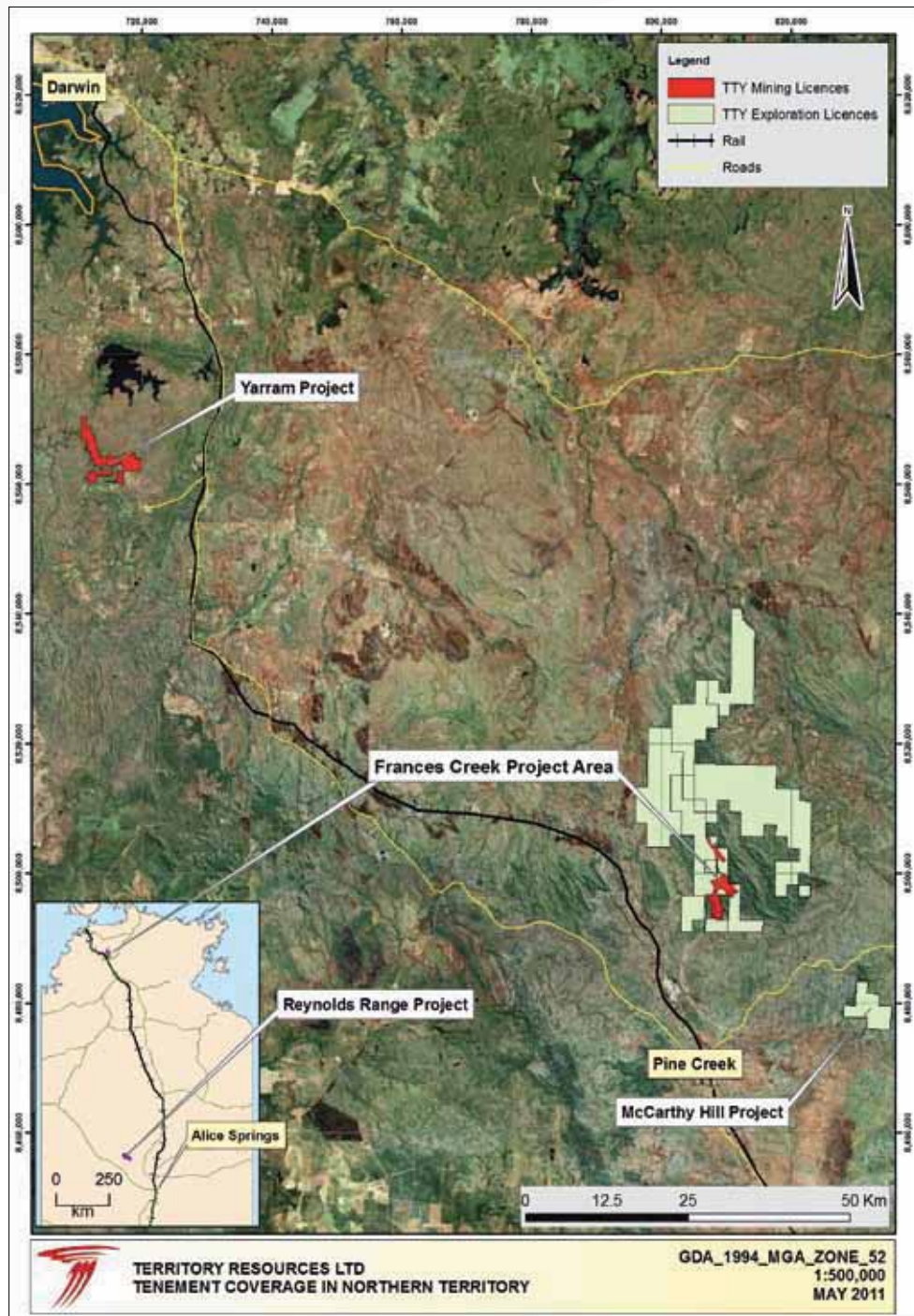
4.3 Current business activities of Territory

(a) Frances Creek

Frances Creek is located 200 km south of Darwin near the town of Pine Creek and 15 km from the Adelaide-Darwin rail line in the Northern Territory of Australia. After it was closed in 1974 due to flooding and damage, the Frances Creek operation re-commenced mining in May 2007.

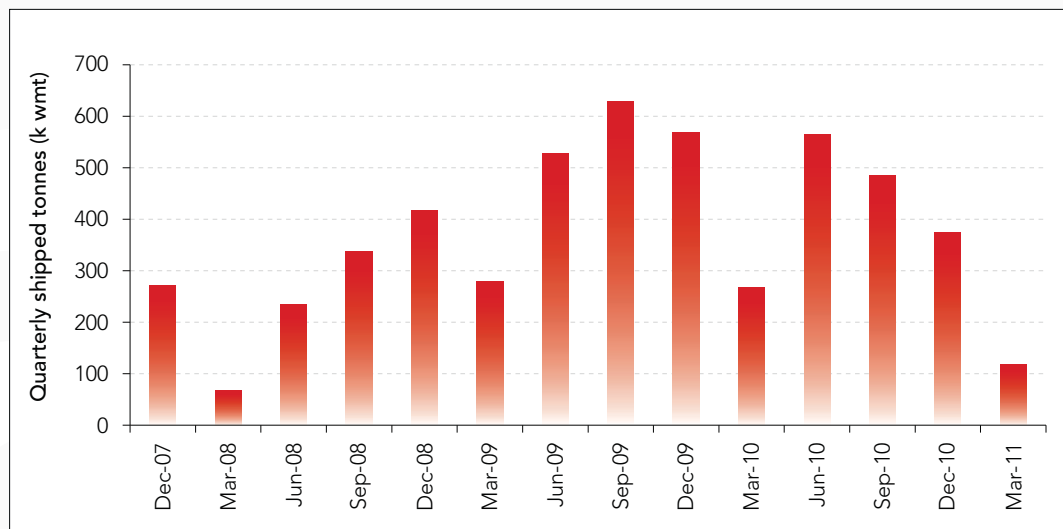
Ore is mined at Frances Creek from a series of open pits using conventional drill and blast, hydraulic excavator and trucking methods, and is then crushed and beneficiated (low grade scalp ore only) to produce lump (up to 60.5% Fe) and fines (up to 59.5% Fe) products. These products are transported to a rail siding and then loaded onto trains for transportation to Territory's stockyard at the Port of Darwin.

FIGURE 4: FRANCES CREEK AND TERRITORY'S TENEMENT COVERAGE



A total of 2.03 Mt of iron ore from the Frances Creek mine was shipped during the 2009/10 financial year, comprising 1.15 Mt of lump and 0.88 Mt tonnes of fines. This represented a 30% increase in iron ore shipments over the previous year and reflected the Company's improved operational performance during the 2009/10 financial year.

However, more recently, Territory has experienced a short-term decline in production which is primarily attributed to the unprecedented rainfall in the region during the 2010/11 wet season. As a consequence, Territory's expectation is to ship approximately 1.3 Mt of iron ore for the 2010/11 financial year.

FIGURE 5: HISTORICAL QUARTERLY SHIPPED TONNES


Territory uses contractors at Frances Creek and the Darwin Port facility to undertake a range of activities including drilling and blasting, surveying, explosives supply, crushing operations, earthmoving equipment and maintenance, bulk road haulage, rail haulage, ship-loading as well as the provision of on-site catering and accommodation.

Territory also has a Marketing and Off-take Agreement with Noble under which Territory has agreed to sell exclusively to Noble all iron ore products produced at Territory's current and future operations that are exported through the Darwin Port. Territory entered into the Marketing and Off-take Agreement in August 2007, and this was subsequently approved by Territory shareholders at a general meeting in July 2009. Territory negotiates and enters into separate "free on board" sales contracts for each shipment with Noble, with pricing based on prevailing spot iron ore prices. Noble receives a marketing fee of 3.5% of all iron ore sales under the Marketing and Off-take Agreement.

In early 2011, Territory completed construction of a beneficiation plant at Frances Creek, which has since reached and maintained name-plate capacity, processing approximately 80,000 tonnes of low grade scalp ore grading 50% Fe per month to produce approximately 44,000 tonnes of 59.9% Fe shippable fines ore per month.

The addition of the beneficiation plant has enabled Territory to realise the cash locked up in the low grade scalp ore stockpile and demonstrated the effectiveness of beneficiation at Frances Creek, which in the future could enable sub-grade iron mineralisation proximal to the mining operation to be successfully exploited, thereby extending mine life. Drilling and metallurgical testing of sub-grade iron mineralisation is currently in progress.

Frances Creek also includes a portfolio of near-mine and regional exploration prospects which are thought to contain hematite mineralisation occurring in the same rock sequences as the operating mine. Recent exploration results from near mine exploration have been extremely encouraging, with strong widths of high-grade, low-diluent iron ore mineralisation being identified. Prospective targets in the wider Frances Creek region have also been identified through recent geophysics surveys. However, it is uncertain if further exploration at the regional exploration prospects and targets will result in the definition of Mineral Resources.

(b) Exploration projects

In addition to the Frances Creek Project, Territory also holds the following mineral assets in the Northern Territory:

- a target minerals exploration agreement for iron ore and manganese mineralisation with a private syndicate which owns the tenement encompassing the McCarthy Hill Prospect;
- a 100% interest in the Reynolds Range Project located approximately 250 km northwest of Alice Springs; and
- the rights to explore, develop, mine, upgrade and purchase iron ore from the Yarram hematite project.

Early-stage reconnaissance drilling at the McCarthy Hill Prospect (exploration licence EL22440), which is located 25 km south east of Frances Creek, has intersected hematite-rich iron mineralisation over 500 metres of strike. The target minerals exploration agreement gives Territory the right to explore and potentially develop McCarthy Hill as part of its near-mine and regional exploration initiatives designed to extend the mine life of the Frances Creek Project. Territory intends to work with the EL22440 tenement holders, the Aboriginal Areas Protection Authority and the traditional owners to progress discussions regarding access to other areas within the McCarthy Hill Prospect for initial geological reconnaissance to further assess its potential.

The Reynolds Range Project comprises a single exploration licence, EL28077, consisting of 42 blocks. This area has historical observed occurrences of both iron ore and manganese mineralisation.

The Yarram Project is located close to the town of Batchelor, approximately 80 km south of Darwin in the Northern Territory. The tenements that comprise the Yarram Project are owned by Compass Resources Limited, and an agreement with Compass gives Territory the rights to any iron ore mineralisation identified on a small portion of all three tenements.

(c) Mineral Resources and Ore Reserves

Territory's Mineral Resource and Ore Reserve models for the Frances Creek operation have recently been re-optimised to take into account recent iron ore price increases as well as earlier product specification changes. The re-optimisation studies have resulted in a significant conversion of Mineral Resources to Ore Reserves, increasing the mine life of the Frances Creek operation to at least the end of 2013. With the recent successful commissioning of the beneficiation plant at Frances Creek, the Company is also looking at further opportunities to upgrade low-grade ore streams to add to Ore Reserve inventories and increase ore blending options at the mine.

Mineral Resources and Ore Reserves for Frances Creek (using 50% Fe cut off) as at 31 March 2011 were:

- Indicated and Inferred Mineral Resources of 9.28 Mt @ 58.0% Fe (7.87 Mt Indicated and 1.40 Mt Inferred); and
- Probable Ore Reserves of 5.22 million tonnes @ 57.9% Fe.

The Mineral Resources are inclusive of the Resources modified to produce the Probable Ore Reserves.

(d) Other assets

Territory also owns the following interests:

- 29.97 million ordinary shares in ASX-listed coal exploration company Blackwood Corporation Limited ("Blackwood"), amounting to an 18.7% interest and valued at A\$8.4 million based on the VWAP of Blackwood shares from the Announcement Date to the Trading Day prior to the date of this Target's Statement;
- 39.85 million ordinary shares in Swan Gold Mining Limited ("Swan Gold"), amounting to a 5.4% interest;
- an A\$13.5 million loan to Swan Gold; and
- 100% ownership of its corporate head office building at 23 Ventnor Avenue, West Perth.

Blackwood (formerly Matilda Minerals Limited) completed a recapitalisation and re-listed on the ASX on 16 December 2010 as a company focused on coal exploration in the coal basins of Queensland.

On 27 May 2011, Territory entered into an agreement with DCM DECOMetal GmbH ("DCM DECOMetal") for a nominee of DCM DECOMetal to purchase for A\$6.74 million:

- the 39.85 million ordinary shares held by Territory in Swan Gold; and
- all the interests and rights held or beneficially owned by Territory in the trust held as security for the outstanding amount owing to Territory on the Swan Gold loan.

The transaction is subject to Swan Gold's other creditor trusts also accepting a settlement offer from DCM DECOMetal, due diligence by DCM DECOMetal on the transferability of the Territory trust, as well as approval by Territory's shareholders.

4.4 Financial information on Territory

(a) Recent financial results

The following information is taken from Territory's audited full year financial report for the 12 months ended 30 June 2010 and auditor-reviewed half year financial report for the six months ended 31 December 2010.

The table below contains a summary Profit and Loss for the full financial years 2008/09 ("FY09") and 2009/10 ("FY10"), as well as for the first half of financial year 2010/11 ("1H FY11"):

| A\$ million | FY09 | FY10 | 1H FY11 |
|--|-------------|-----------|-----------|
| Revenue | 114 | 176 | 89 |
| Gross profit / (loss) from operations ¹ | (3) | 37 | 18 |
| Profit / (loss) before income tax | (65) | 36 | 15 |
| Net profit / (loss) after tax | (71) | 41 | 10 |

Note1: Gross profit/ (loss) from operations as reported in Territory's financial reports, being revenue from the sale of goods less cost of goods sold.

Sales revenue in FY10 of A\$176 million was 54% above the previous year, reflecting significantly higher production volumes in FY10 than FY09 and higher Australian dollar iron ore prices in this period. More recently, sales have been hampered by a particularly severe wet season in northern Australia, with sales volumes of 0.9 Mt leading to revenue of A\$89 million in 1H FY11.

Net profit after tax for FY10 of A\$41 million represented a A\$113 million turnaround on the net loss of A\$71 million suffered in FY09, reflecting higher sales volumes and prices, lower site operating costs and overheads and a A\$29 million reduction in impairments. Net profit in 1H FY11 was A\$10 million and was adversely impacted by lower volumes and higher unit operating costs than expected. Based on the new production outlook of 1.3 Mt for 1H FY11, the Company is working to maintain a break-even position for the second half of financial year 2010/2011. Therefore, the financial results of the full year are likely to be in line with the financial results achieved during 1H FY11.

The table below contains a summary Cash Flow Statement for the relevant periods.

| A\$ million | FY09 | FY10 | 1H FY11 |
|--|------------|----------|------------|
| Net cash flow from operating activities | (18) | 32 | 17 |
| Net cash flow from investing activities | (18) | (10) | (9) |
| Net cash flow from financing activities | 35 | (21) | (9) |
| Net increase / (decrease) in cash | (1) | 0 | (0) |

Improvements in operations and iron ore prices have supported substantial operational cash generation at the Frances Creek operation over FY10 and 1H FY11.

Capital management during FY10 also meant that only essential capital expenditure was undertaken, with investing cash flows of A\$10 million being 42% lower than in FY09. Increases in investing cash flows in 1H FY11 were attributable to the construction of the beneficiation plant at Frances Creek.

Net cash flow used in financing activities for FY10 was A\$21 million as Territory reduced loans outstanding to Noble over this period. These were further reduced by A\$13 million in 1H FY11 resulting in a net cash outflow from financing activities.

The table below contains a summary Balance Sheet for the relevant periods.

| As at, A\$ million | 30 June 2009 | 30 June 2010 | 31 December 2010 |
|--------------------------------------|--------------|--------------|------------------|
| Cash | 1 | 1 | 1 |
| Receivables | 11 | 24 | 16 |
| Inventories | 24 | 24 | 22 |
| Property, plant and equipment | 47 | 44 | 46 |
| Deferred tax assets | - | 5 | - |
| Exploration and evaluation | 10 | 8 | 9 |
| Assets for sale and other assets | 4 | 0 | 11 |
| Total assets | 97 | 108 | 105 |
| Payables | 16 | 21 | 16 |
| Borrowings and financial derivatives | 81 | 44 | 26 |
| Provisions | 4 | 5 | 5 |
| Total liabilities | 101 | 70 | 48 |
| Total shareholders equity | (4) | 38 | 58 |

The substantial operational cash generation over FY10 and 1H FY11 has allowed Territory to internally fund capital expenditure and allocate most of its surplus cash towards reducing consolidated debt facility with Noble. This has resulted in Territory reverting from a negative shareholders equity position to a positive A\$58 million by the end of December 2010. As at 31 March 2011, Territory reported an unaudited cash balance of A\$1.3 million.

(b) Interest-bearing liabilities

As at 31 March 2011, Territory had total interest-bearing liabilities of A\$38.7 million, comprising:

- a US\$20.75 million (A\$20.1 million) senior secured Term Debt Facility with Noble, repayable on 31 October 2011 (“Term Debt Facility”);
- a US\$15 million secured prepayment facility with Noble, which is drawn upon for short-term working capital requirements and fluctuates depending on the timing of Territory’s iron ore shipments (“Prepayment Facility”). The Prepayment Facility is available to 31 December 2011 and callable on demand. As at 31 March 2011, US\$13.8 million (A\$13.4 million) was drawn on the Prepayment Facility;
- an A\$5.0 million term loan secured over the Company’s property in West Perth; and
- A\$0.25 million in finance leases in relation to equipment at Frances Creek.

The Term Debt Facility and Prepayment Facility are secured by a fixed and floating charge over Territory’s assets, a mortgage over shares in key subsidiaries and a mining tenement mortgage over the Frances Creek mining leases. Territory Iron Pty Ltd, a wholly owned subsidiary, has also provided a fixed and floating charge over its assets and has provided a guarantee and indemnity, which guarantees Territory’s obligations to Noble under the Term Debt Facility and Prepayment Facility.

Territory has entered into financing arrangements with RMB (a South African bank), guaranteed by Exxaro, under which Exxaro (through RMB) has provided Territory with a facility for up to US\$36 million in certain circumstances. This ensures that Territory has the required capital to meet its short term funding needs if the existing Noble facilities are withdrawn or scaled back. See Section 8.1 for further details.

4.5 Minority ownership consequences

The Offer is subject to a number of conditions, including a minimum acceptance condition of 60%. If Exxaro Iron acquires more than 60% but less than 90% of the Territory Shares then, assuming all other conditions to the Offer are fulfilled or waived, Exxaro Iron will acquire a majority shareholding in Territory.

If Exxaro Iron acquires more than 50% but less than 60% and waives the minimum acceptance condition (and assuming all other conditions to the Offer are fulfilled or waived), Exxaro Iron will also acquire a majority shareholding in Territory.

In those cases, Territory shareholders who do not accept the Offer will become minority shareholders in Territory. This has a number of possible implications, including:

- Exxaro Iron will be in a position to cast the majority of votes at a general meeting of Territory. This will enable it to control the composition of Territory’s Board of directors and senior management, determine Territory’s dividend policy and control the strategic direction of the businesses of Territory and its subsidiaries;
- the Territory share price may fall immediately following the end of the Offer Period;
- liquidity of Territory Shares may be lower than at present;
- as indicated in its Bidder’s Statement, if Exxaro Iron acquires a Relevant Interest of between 60% and 90%, it may consider whether to seek to have Territory removed from the official list of ASX. Exxaro Iron’s ability to do so will depend on the number of remaining Territory shareholders. If this occurs, Territory Shares will not be able to be bought or sold on the ASX; and

- if Exxaro Iron acquires 75% or more of the Territory Shares (which would require Noble to sell or accept the Offer in relation to all or part of its shareholding in Territory) it will be able to pass a special resolution of Territory. This will enable Exxaro Iron to, among other things, change Territory's constitution.

4.6 Other alternatives to the Offer

As at the day prior to the date of this Target's Statement, Territory has not received any other proposal.

The Bid Implementation Agreement with Exxaro restricts Territory from soliciting alternative offers or proposals or responding and negotiating with respect to a Competing Proposal. However, these restrictions do not in any way prevent or restrict a third party from putting forward a Competing Proposal, and the restrictions do not apply in respect of a Competing Proposal where the Territory Board, acting in good faith and having obtained advice from its legal and financial advisers, reasonably determines that the Competing Proposal is a Superior Proposal and failing to respond would be likely to constitute a breach of its fiduciary or statutory duties.

Prior to the Offer being announced, Territory was in discussions with Noble Group (Territory's largest shareholder) regarding the conversion of the amount outstanding on its Term Facility to equity. On 17 February 2011, Territory announced that it had signed a non-binding term sheet with Noble Group whereby the Term Debt would be converted to equity at a conversion price of \$0.315 per Territory Share. On 10 May 2011, Territory subsequently announced a revised non-binding term sheet whereby the debt to equity conversion price was increased to \$0.45 per Territory Share, and a six month option would be granted to Noble Group to subscribe for a further 35.1 million shares in Territory at \$0.45 per Share.

As a result of the announcement of Exxaro Iron's Offer, Territory ceased discussions with Noble Group regarding the debt to equity proposal. On 7 June 2011, Territory was notified by Noble Group that it has increased its shareholding to 31.97%.

In the event that the Territory Board does determine that a Competing Proposal is a Superior Proposal, Exxaro Iron has a right to be notified of Competing Proposals and a right to match any Superior Proposal, which must be exercised within a period of four Business Days from notification.

In addition, Exxaro has entered into a pre-bid agreement with DCM DECOmetal, one of Territory's substantial shareholders. Under the pre-bid agreement, DCM DECOmetal has agreed to accept Exxaro Iron's Offer in respect of all of its shares within 2 business days of receipt of Exxaro Iron's Offer. Exxaro's pre-bid stake resulting from DCM DECOmetal's agreement to accept Exxaro Iron's Offer may deter other potential bidders.

4.7 Risks associated with accepting the Offer

(a) You will no longer have exposure to Territory's assets and operations

If you accept the Offer and the Offer becomes unconditional, you will no longer be a Territory shareholder. This will mean that you will not participate in any potential upside that may result from Territory remaining a stand-alone entity, including any increase in the Territory share price. You will also cease to have a right to influence the future direction of Territory through your voting rights as a Territory shareholder.

(b) The taxation consequences of accepting the Offer

Accepting the Offer may trigger taxation consequences for you. See Section 4.8 below for further information.

(c) You will not be able to sell your Territory Shares on market

If you accept the Offer, you will no longer be able to trade your Territory Shares on market (subject to statutory withdrawal rights). There is a possibility that the Territory Share price may exceed the price under the Offer. The share price performance of Territory Shares is discussed further in Section 1.1 above.

(d) Possibility of a Superior Proposal emerging

Once you have accepted the Offer you will not be able to accept your Shares into any Superior Proposal that may emerge unless the Offer lapses or you are able to withdraw your acceptance due to extensions to the Offer Period. The likelihood of a Superior Proposal emerging is discussed in Section 4.6 above.

4.8 Taxation considerations

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 11.6 of the Bidder's Statement.

You should carefully read section 11.6 of the Bidder's Statement and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

5 YOUR CHOICES AS A TERRITORY SHAREHOLDER

The Majority Directors recommend that you accept the Offer in the absence of a Superior Proposal.

Mr Simpson recommends that you reject the Offer.

As a Territory shareholder you have three choices currently available to you:

(a) Accept the Offer

Territory shareholders may elect to accept the Offer. Details of the consideration that will be received by Territory shareholders who accept the Offer are set out in Section 6.1 of this Target's Statement and in section 4.1 of the Bidder's Statement.

Shareholders who accept the Offer may be liable for Capital Gains Tax ("CGT") on the disposal of their shares (see Section 4.8 of this Target's Statement). However, they will not incur any brokerage charge.

Section 3 of the Appendix to the Bidder's Statement contains details of how to accept the Offer.

(b) Sell your Shares on market

During a takeover, shareholders of a target company who have not already accepted the Bidder's Offer can still sell their shares on market for cash.

On the Trading Day prior to the date of this Target's Statement, Territory's share price closed at A\$0.48, a 4% premium to Exxaro Iron's Offer price of A\$0.46 per Share. The latest price for Territory Shares may be obtained from the ASX website www.asx.com.au.

Territory shareholders who sell their Shares on market may be liable for CGT on the sale (see Section 4.8 of this Target's Statement) and may incur a brokerage charge.

Territory shareholders who wish to sell their Shares on market should contact their broker for information on how to effect that sale.

(c) Do not accept the Offer and do not sell your Shares on market

Territory shareholders who do not wish to accept the Offer or sell their Shares on market should do nothing.

Territory shareholders should note that if Exxaro Iron and its Associates have a Relevant Interest in at least 90% of Territory Shares during or at the end of the Offer Period, Exxaro Iron will be entitled to compulsorily acquire the Shares that it does not already own (See Section 6.12 of this Target's Statement for further details).

6 KEY FEATURES OF EXXARO IRON'S OFFER

6.1 Consideration payable to shareholders who accept the Offer

The consideration being offered by Exxaro Iron is A\$0.46 cash for each Territory Share.

6.2 Conditions to the Offer

Exxaro Iron's Offer is subject to a number of conditions including:

- Exxaro Iron acquiring a Relevant Interest in 60% of Territory Shares through its Offer;
- no material adverse change in relation to Territory;
- no prescribed occurrences in relation to Territory; and
- no exercise of any change of control rights by a third party in relation to Territory.

Those conditions are set out in full in section 6 of the Appendix to the Bidder's Statement and in Attachment A to this Target's Statement.

As at the date of this Target's Statement, Territory is not aware of any act, omission, event or fact that would result in any of the conditions to the Offer being triggered.

6.3 Notice of Status of Conditions

Section 6.6.2 of the Appendix to the Bidder's Statement indicates that Exxaro Iron will give a Notice of Status of Conditions to the ASX and Territory on 27 June 2011.

Exxaro Iron is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Exxaro Iron knows, any of the conditions have been fulfilled; and
- Exxaro Iron's voting power in Territory.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Exxaro Iron is required, as soon as practicable after the extension, to give a notice to the ASX and Territory that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Exxaro Iron must, as soon as practicable, give the ASX and Territory a notice that states that the particular condition has been fulfilled.

6.4 Offer Period

Unless Exxaro Iron's Offer is extended or withdrawn, it is open for acceptance from 3 June 2011 until midnight AWST on 4 July 2011.

The circumstances in which Exxaro Iron may extend or withdraw its Offer are set out in Section 6.5 and Section 6.6 respectively of this Target's Statement.

6.5 Extension of the Offer Period

Exxaro Iron may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in Section 6.3 of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), Exxaro Iron may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Exxaro Iron improves the consideration offered under the Offer; or
- Exxaro Iron's voting power in Territory increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 Withdrawal of Offer

Exxaro Iron may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Exxaro Iron may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 7 of the Appendix to the Bidder's Statement. Territory shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting of the Offer.

6.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- Exxaro Iron's offer is still subject to a defeating condition; and
- Exxaro Iron varies the Offer in a way that postpones for more than one month the time when Exxaro Iron needs to meet its obligations under the Offer. This will occur if Exxaro Iron extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 When you will receive payment for your Shares if you accept the Offer

In the usual case, you will receive payment for your Shares on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for receiving payment. Full details of when you will receive payment are set out in section 5.6 of the Bidder's Statement.

6.10 Effect of an improvement in consideration on shareholders who have already accepted the Offer

If Exxaro Iron improves the consideration offered under its takeover bid, all Territory shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.11 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Territory Shares as you see fit.

6.12 Compulsory acquisition

Exxaro Iron has indicated in section 8.3 of its Bidder's Statement that if it satisfies the required threshold of 90% minimum acceptance of the Offer, it intends to compulsorily acquire any outstanding Territory Shares.

Exxaro Iron will be entitled to compulsorily acquire any Territory Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Exxaro Iron and its Associates have a Relevant Interest in at least 90% (by number) of the Territory Shares.

If this threshold is met, Exxaro Iron will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Territory shareholders who have not accepted the Offer. Territory shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Territory Shares. If compulsory acquisition occurs, Territory shareholders who have their Territory Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Exxaro Iron will, at some time after the end of the Offer Period, become the beneficial owner of 90% of the Shares. Exxaro Iron would then have rights to compulsorily acquire Territory Shares not owned by it within 6 months of becoming the holder of 90% of the Shares. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

DCM DECOMetal has already agreed to accept the Offer for its 11.19% interest in Territory's Shares within two Business Days of receipt of the Offer, as a result of entering into a pre-bid agreement with Exxaro. Accordingly, Exxaro has a Relevant Interest in 11.19% of Territory's Shares.

As at the day prior to the date of this Target's Statement, Noble Group has not publicly stated whether or not it will accept the Offer.

If Noble Group does not accept the Offer, Exxaro Iron would not be capable of obtaining a Relevant Interest in at least 90% of Territory Shares due to Noble Group's 31.97% shareholding. Accordingly, without Noble Group's acceptance of the offer, Exxaro Iron would not be entitled to compulsorily acquire the remaining Territory Shares.

7 INFORMATION RELATING TO YOUR DIRECTORS

7.1 Interests and dealings in Territory securities

(a) Interests in Territory Shares, Options and Performance Rights

As at the date of this Target's Statement, your directors had the following Relevant Interests in Territory Shares, Options and Performance Rights:

| Director | Number of Territory Shares | Number of Territory Options | Number of Territory Performance Rights |
|----------------------|----------------------------|---|---|
| Mr Andrew Simpson | 201,585 | 0 | 0 |
| Mr Andrew Haslam | 100,000 | 0 | 560,447 expiry 30 June 2016; and 647,234 expiry 30 June 2017 |
| Mr Ian McCubbing | 85,792 | 833,000 exercisable at \$1.00 on or before 21 December 2011 (issued whilst Mr McCubbing was an employee of Territory) | 0 |
| Ms Fiona Harris | 85,792 | 0 | 0 |
| Dr Michael Donaldson | 85,792 | 0 | 0 |
| Mr Giuseppe Ariti | 85,792 | 0 | 0 |
| Total | 644,753 | 833,000 | 1,207,681 |

(b) Dealings in Territory Shares, Options and Performance Rights

No director of Territory has acquired or disposed of a Relevant Interest in any Territory Shares, Options or Performance Rights in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.2 Interests and dealings in Exxaro securities

(a) Interests in Exxaro securities

As at the date immediately before the date of this Target's Statement, no Territory director had a Relevant Interest in any Exxaro Iron or Exxaro securities.

(b) Dealings in Exxaro securities

No director of Territory acquired or disposed of a Relevant Interest in any Exxaro Iron or Exxaro securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a Board or managerial office of Territory or related body corporate of Territory.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any director of Territory and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Shares or Options.

(c) Benefits from Exxaro

None of the directors of Territory have agreed to receive, or is entitled to receive, any benefit from Exxaro Iron or Exxaro which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares other than as stated below.

Mr Ian McCubbing holds 833,000 Territory Options as detailed in Section 7.1(a), that were issued to Mr McCubbing whilst he was a Territory Employee. Mr Patrick McCole, Territory's Company Secretary, holds 1,250,000 Territory Options that were issued to Mr McCole whilst he was a Territory Employee. As discussed further in Section 8.6(a), Exxaro has agreed under the Bid Implementation Agreement that, within 5 days of the Offer becoming unconditional, it will make a private treaty offer to acquire all Territory Options, including Mr McCubbing's and Mr McCole's Territory Options.

As detailed in section 12 of the Bidder's Statement, the consideration to be offered by Exxaro Iron to acquire Mr McCubbing's Territory Options will not be less than A\$10,570. The consideration to be offered by Exxaro Iron to acquire Mr McCole's Territory Options will not be less than A\$59,545.

(d) Interests of directors in contracts with Exxaro

None of the directors of Territory has any interest in any contract entered into by Exxaro Iron or Exxaro.

8 ADDITIONAL INFORMATION

8.1 Agreements relating to Exxaro Iron's Offer

(a) Bid Implementation Agreement

Immediately prior to the announcement of the Offer, Territory and Exxaro entered into a Bid Implementation Agreement under which Exxaro agreed to make the Offer and Territory agreed to comply with certain exclusivity obligations. A break fee of approximately A\$1.557 million (excluding GST) is payable by Territory to Exxaro in certain circumstances.

The key terms of the Bid Implementation Agreement are summarised in Attachment 2 of this Target's Statement.

(b) Facility Agreement

At the same time as entering the Bid Implementation Agreement, Territory entered a Facility Agreement with RMB (guaranteed by Exxaro) under which Exxaro (through RMB) has agreed to provide Territory with a facility for up to US\$36 million in certain circumstances. The key terms of the Facility Agreement are summarised in Attachment 3 of this Target's Statement.

(c) Pre-bid acceptance agreement

One of Territory's major shareholders, DCM DECOMetal has agreed to support Exxaro Iron's Offer and has entered into a pre-bid acceptance agreement in relation to its 11.19% holding in Territory. Under the agreement, DCM DECOMetal must accept Exxaro Iron's Offer within 2 Business Days of receipt of the Offer.

8.2 Effect of the Offer on Territory's material contracts

It is a condition of Exxaro Iron's Offer that no change of control rights in Territory's contracts are exercised by a third party. Territory has identified material contracts to which Territory is a party as containing change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer. A summary of these contracts and the relevant change of control provisions is set out below:

(a) Marketing and Off-take Agreement

In August 2007, Territory entered into a Marketing and Offtake Agreement with Noble, under which Territory has agreed to sell exclusively to Noble all iron ore products produced from Territory's current and future mining operations that are exported through the Darwin Port. The Marketing and Off-take Agreement was subsequently approved by Territory shareholders at a general meeting in July 2009.

Under the terms of the Marketing and Offtake Agreement, the price paid by Noble was to be determined on a quarterly basis by reference to recognised industry benchmark iron ore prices between Chinese steel mills and BHP-Billiton / Rio Tinto. As announced to ASX on 12 June 2009, Noble and Territory have in fact operated on a per shipment basis. The sale price has been set by reference to spot market prices prevailing at the time of each particular shipment. This arrangement has continued to the present time. To date, Noble has purchased all of the iron ore supplied by Territory, in accordance with its obligations under the Marketing and Offtake Agreement.

Under the Marketing and Off-take Agreement, a change in control event includes a change in the control of 50% or more of Territory's shares. The completion of Exxaro Iron's Offer may constitute a change of control event. If that is the case, it allows Noble to terminate the agreement where there are serious concerns about Exxaro's financial position or reputation. It is Territory's view that due to Exxaro's financial strength and reputation, any change of control resulting from the Offer will not trigger a termination right for Noble. In addition, the condition of Exxaro Iron's Offer that no change of control rights are exercised by third parties specifically excludes the exercise of any rights by Noble under the Marketing and Offtake Agreement.

There is no change of control provision in the Marketing and Off-take Agreement allowing Territory to terminate as a result of a change of control in Territory or Noble.

(b) Prepayment Facility Agreement

Territory has entered into a Prepayment Facility Agreement with Noble dated 1 April 2009, which allows for prepayments of iron ore shipments purchased by Noble under the Marketing and Off-take Agreement. The Prepayment Facility Agreement is due to expire on 31 December 2011.

Under the Prepayment Facility Agreement, effective control of Territory is altered where there is a change in control of more than half the voting power of Territory. The completion of Exxaro Iron's Offer may constitute an alteration of effective control and, if that is the case, would entitle Noble to terminate the Prepayment Facility Agreement and require repayment of all outstanding advance payments by Territory to Noble.

As at 31 March 2011, US\$13.8 million was outstanding under the Prepayment Facility Agreement.

The condition of Exxaro Iron's Offer that no change of control rights are exercised by third parties specifically excludes the exercise of any rights by Noble under financing arrangements with it. Accordingly, Exxaro Iron's Offer is not affected by any triggering of the change of control provision in the Prepayment Facility Agreement.

(c) Term Debt Facility Agreement

Territory has entered into a Term Debt Facility Agreement with Noble. The repayment date for the Term Debt Facility is 31 October 2011.

The Term Debt Facility Agreement does not contain any change of control provisions which would be triggered as a result of, or as a result of acceptances of, the Offer. In any event, the condition of Exxaro Iron's Offer that no change of control rights are exercised by third parties specifically excludes the exercise of any rights by Noble under financing arrangements with it, such as those under the Term Debt Facility Agreement. Accordingly the Term Debt Facility Agreement will remain unaffected by the Offer or any acceptances of the Offer.

8.3 Material litigation

Territory does not believe that it is involved in any litigation or dispute which is material in the context of Territory and its subsidiaries taken as a whole.

8.4 Issued capital

As at the date of this Target's Statement, Territory's issued capital consisted of:

- 265,121,141 fully paid ordinary shares;
- 2,083,000 Territory Options. 833,000 of the Territory Options have an exercise price of \$1.00 and an expiry date of 21 December 2011. 1,250,000 of the Territory Options have an exercise price of \$1.50 and an expiry date of 21 December 2012; and
- 2,406,458 Territory Performance Rights.

As discussed further in Section 8.1(b) the Facility to be provided by RMB (guaranteed by Exxaro) is subject to Territory offering to Exxaro, or its nominee, on or before 10 June 2011, an unconditional option to subscribe for up to the maximum number of shares that Territory is able to issue pursuant to any applicable law, at an offer price of \$0.46 per Share, exercisable by Exxaro at any time within 6 months after the offer of the option.

In addition, prior to being approached by Exxaro regarding the Offer, the Board resolved to offer a further 933,770 Territory Performance Rights to employees of Territory under Territory's Performance Rights Plan ("Additional Rights"). ASIC has executed an instrument relief which will take effect upon gazettal, which is expected to occur on Tuesday 7 June 2011. Territory intends to proceed with the offer of Additional Rights once the ASIC relief takes effect, and to issue the Additional Rights in respect of accepted offers as soon as practicable thereafter.

Upon the issue of the Additional Rights there will be a total of 3,340,228 Territory Performance Rights, which are discussed in more detail in Section 8.6 below.

8.5 Substantial holders

Based on the substantial holding notices provided to Territory as at the day prior to the date of this Target's Statement, the substantial holders of Territory are:

| Shareholder | Number of Territory Shares | Percentage of issued Shares |
|---|---|-----------------------------|
| Noble Group (through its related bodies corporate Jonesville Limited and Crawley Resources Limited) | 84,766,953 | 31.97% |
| DCM DECOmetal | 29,675,836 | 11.19% |
| Exxaro | 29,675,836 (as a result of the entry into a pre-bid agreement with DCM DECOmetal) | 11.19% |
| Deutsche Bank AG | 23,708,579 | 8.94% |
| Centaurus Capital Limited | 20,988,340 | 7.92% |

8.6 Effect of Offer on Territory's employee incentive schemes and securities issued under those schemes

This Section outlines the effect of Exxaro Iron's Offer on Territory Options and Territory Performance Rights.

Territory currently operates two employee incentive plans: the Employee Share Option Plan ("ESOP") and the Performance Rights Plan.

(a) The effect of Exxaro Iron's Offer on Territory Options

Exxaro Iron's Offer does not extend to Territory Options. However, Exxaro Iron's Offer extends to all Territory Shares that are issued during the Offer Period due to the exercise of the Territory Options. The Territory Options vested prior to the announcement of the Offer and are currently exercisable.

Exxaro has agreed under the Bid Implementation Agreement that, within 5 days of the Offer becoming unconditional, it will make a private treaty offer to acquire all of the Territory Options (outstanding as at that date) from each holder of Territory Options. If accepted, Exxaro must acquire the accepted Territory Options within 21 days of acceptance.

If not all Territory Options are exercised (or otherwise cancelled or acquired by Exxaro pursuant to private treaty agreements or other arrangements), and Exxaro Iron is entitled to compulsorily acquire any outstanding Territory Shares, Exxaro Iron is required to make compulsory buy-out offers to acquire any outstanding Territory Options pursuant to Part 6A.1 of the Corporations Act.

(b) The effect of Exxaro Iron's Offer on Territory Performance Rights

Exxaro Iron's Offer does not extend to Territory Performance Rights. However, the Offer extends to all Territory Shares that are issued during the Offer Period upon the vesting of Territory Performance Rights.

The Territory Performance Rights are subject to performance conditions relating to the performance of the holder and Territory over specified periods including:

- service conditions for the individual employees and an increase in the mine life of the Frances Creek mine or an equivalent increase in Territory's reserves through merger or acquisition (as to 50%); and
- achievement of total shareholder return greater than 15% per annum over the performance period (as to 50%).

Under the Performance Rights Plan, once the Offer becomes unconditional or a party acquires voting power in Territory of more than 50%, the Board will determine an alternate measurement date for assessment of the performance conditions and the extent to which the Performance Rights may vest. If any Performance Rights remain outstanding, and Exxaro Iron is entitled to compulsorily acquire any outstanding Territory Shares, Exxaro Iron is required to make compulsory buy-out offers to acquire any outstanding Performance Rights pursuant to Part 6A.1 of the Corporations Act.

8.7 Continuous disclosure

Territory is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Territory to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Territory has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Territory Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at asx.com.au and Territory's website at territoryresources.com.au.

In addition, Territory will make copies of the following documents available for inspection at Territory's offices which are located at Ground Floor, 23 Ventnor Avenue, West Perth, WA, Australia, 6005 (between 9.00 am and 5.00 pm on Business Days):

- (1) Annual Report 2010, lodged with the ASX on 29 September 2010;
- (2) 2011 Half-Year Report, lodged with the ASX on 28 February 2011;
- (3) Territory's Constitution, lodged with the ASX on 9 September 2010 and subsequently approved by Territory shareholders on 13 October 2010; and
- (4) any continuous disclosure document lodged by Territory with ASX between the lodgement of the Annual Report 2010 and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to Territory may be obtained from, or inspected at, an ASIC office.

8.8 JORC Code reporting of Territory's Exploration Results and Ore Reserves and Mineral Resources

The information in Section 4 of this Target's Statement that relates to Exploration Results is based on information compiled by Mr Peter Bleakley, who is a Member of the Australasian Institute of Mining and Metallurgy, and is a full-time employee of Territory Resources Limited. Mr Bleakley 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 Bleakley 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 Section 4 of this Target's Statement that relates to Ore Reserves is based on information compiled by Mr Marek Wydmanski, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Territory Resources Ltd. Mr Wydmanski 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 Wydmanski 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 Section 4 of this Target's Statement that relates to Mineral Resources is based on information compiled by Mr Mark Nelson, who is a Member of the Australasian Institute of Mining and Metallurgy, and is a full-time employee of Territory Resources Limited. Mr Nelson 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 Nelson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

8.9 Consents

Freehills has given, and has not withdrawn before the date of this Target's Statement, its written consent to be named in this Target's Statement as Territory's Australian legal adviser in the form and context in which it is so named. Freehills has not advised on the laws of any foreign jurisdiction and has not provided tax advice in relation to any jurisdiction.

Azure Capital Limited has given, and has not withdrawn before the date of this Target's Statement, its written consent to be named in this Target's Statement as Territory's financial adviser in the form and context in which it is so named.

Each of Freehills and Azure:

- has not caused or authorised the issue of this Target's Statement;
- does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
- takes no responsibility for any part of this Target's Statement other than any reference to its name.

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Exxaro Iron with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Exxaro Iron. Pursuant to the Class Order, the consent of Exxaro Iron is not required for the inclusion of such statements in this Target's Statement. Any Territory shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Territory shareholder line on 1300 880 732 (for calls made from within Australia) or +61 2 8280 7496 (for calls made from outside Australia). (Any telephone calls to these numbers will, as required by the Corporations Act, be tape recorded, indexed and stored.)

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from Bloomberg without its consent.

8.10 No other material information

This Target's Statement is required to include all the information that Territory shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any director of Territory.

The directors of Territory are of the opinion that the information that Territory shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Territory's releases to the ASX, and in the documents lodged by Territory with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The directors of Territory have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the directors of Territory do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors of Territory have had regard to:

- the nature of the Territory Shares;
- the matters that shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- the time available to Territory to prepare this Target's Statement.

9 GLOSSARY AND INTERPRETATION

9.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

| Term | Meaning |
|------------------------------|---|
| \$, A\$ or AUD | Australian dollar. |
| Additional Rights | the additional 933,770 Territory Performance Rights the Board resolved to issue prior to being approached by Exxaro regarding the Offer, described in section 8.4 of this Target's Statement. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited. |
| Associate | has the meaning given in the Corporations Act. |
| AWST | Australian Western Standard Time. |
| Bid Implementation Agreement | the bid implementation agreement entered into by Exxaro and Territory on 23 May 2011. |
| Bidder's Statement | the bidder's statement of Exxaro Iron dated 31 May 2011. |
| Blackwood | Blackwood Corporation Limited ACN 103 651 538. |
| Board | the board of directors of Territory. |
| Business Day | a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia. |
| CFR | cost and freight. |
| CGT | capital gains tax. |
| CHESS Holding | a number of Shares which are registered on Territory's share register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of Shares. |

| Term | Meaning |
|---------------------------|--|
| Competing Proposal | <p>a bona fide proposal or offer that would, if completed substantially in accordance with its terms, result in:</p> <p>(a) any person or persons other than Exxaro Iron or one of Exxaro Iron's Associates:</p> <ol style="list-style-type: none"> 1 acquiring an interest in all or a substantial part of the assets of Territory; 2 increasing its Relevant Interest in Territory Shares as a result of which its Relevant Interest in Territory Shares is above 20% of the voting shares of Territory or, in a case where the person or persons already have a Relevant Interest in Territory Shares above 20% of the voting shares of Territory, any increase in its Relevant Interest (not including any increase in Noble Group's Relevant Interest in reliance on item 9 of section 611 of the Corporations Act); 3 acquiring control of Territory within the meaning of Section 50AA of the Corporations Act; or <p>(b) Territory and another person or persons (other than Exxaro Iron or one of Exxaro Iron's Associates) operating under a dual listed company, or similar structure.</p> |
| Condition Period | the period beginning on the date of the Bid Implementation Agreement and ending at the end of the Offer Period. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC). |
| DCM DECOmetal | DCM DECOmetal GmbH (a company duly incorporated in Vienna). |
| ESOP | the Employee Share Option Plan as described in Section 8.6 of this Target's Statement. |
| Exxaro Iron | Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524, a wholly owned subsidiary of Exxaro. |
| Exxaro | Exxaro Resources Limited Registration Number 2000/11076/06 (a public company duly incorporated in South Africa). |
| Exxaro Group | Exxaro and its related bodies corporate (as defined in the Corporations Act). |
| Frances Creek | the 100% Territory owned Frances Creek Project as described in section 4.2. |

| Term | Meaning |
|---|--|
| JORC Code | the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. |
| Majority Directors | the five of the six Territory directors, being Messrs Haslam, Ariti (independent), Donaldson (independent) and McCubbing and Ms Harris (independent), who have recommended that Territory shareholders accept the Offer in the absence of a Superior Proposal. |
| Marketing and Off-take Agreement | the agreement referred to in 8.2(a) of this Target's Statement. |
| Mineral Resource | has the meaning given in the JORC Code. |
| Mt | Million tonnes. |
| Noble | Noble Resources Limited (a company duly incorporated in Bermuda) and its related bodies corporate (as defined in the Corporations Act). |
| Noble Group | Noble Group Limited (a company duly incorporated in Bermuda) of Claredon House, 2 Church Street, Hamilton HM 11, Bermuda, and its related bodies corporate (as defined in the Corporations Act). |
| Notice of Status of Conditions | Exxaro Iron's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act. |
| Offer or Exxaro Iron's Offer | the offer by Exxaro Iron for all Territory Shares, which offer is contained in the Appendix of the Bidder's Statement. |
| Offer Consideration | A\$0.46 cash for each Territory Share. |
| Offer Period | the period during which the Offer will remain open for acceptance in accordance with section 2 of the Appendix of the Bidder's Statement. |
| Ore Reserve | has the meaning given in the JORC Code. |
| Prepayment Facility | the prepayment debt facility provided by Noble to Territory as described in Section 4.4(b) of this Target's Statement. |
| Prepayment Facility Agreement | the agreement for the Prepayment Facility described in Section 8.2(b) of this Target's Statement. |

| Term | Meaning |
|-------------------------------------|---|
| Performance Rights Plan | the Performance Rights Plan as described in Section 8.6 of this Target's Statement. |
| Public Authority | any government or any governmental, semi-governmental, administrative, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange. |
| Relevant Interest | has the same meaning as given in sections 608 and 609 of the Corporations Act. |
| Rights | has the meaning given in section 12 of the Bidder's Statement. |
| RMB | FirstRand Bank Limited (acting through its Rand Merchant Bank division) registration 1929/001225/06, a company duly incorporated in South African and registered as a bank in accordance with the laws of South Africa. |
| Superior Proposal | <p>a Competing Proposal that in the determination of the Board in compliance with their fiduciary duties and acting in good faith:</p> <ul style="list-style-type: none"> (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and (b) is more favourable to Territory shareholders than Exxaro Iron's Offer, taking into account all terms and conditions of the Competing Proposal, <p>provided that a legal and financial adviser, independent of the Board, has provided specific legal and financial advice to the Board.</p> |
| Swan Gold | Swan Gold Mining Limited ACN 100 038 266. |
| Target's Statement | this document (including the attachments), being the statement of Territory under Part 6.5 Division 3 of the Corporations Act. |
| Term Debt Facility | the term debt facility provided by Noble to Territory described in Section 4.4(b) of this Target's Statement |
| Term Debt Facility Agreement | the agreement for the Term Debt Facility described in Section 8.2(c) of this Target's Statement. |
| Territory or Company | Territory Resources Limited ABN 53 100 552 118. |

| Term | Meaning |
|---|--|
| Territory Data Room | the virtual data room established by Territory to provide Exxaro Iron access to information about Territory. |
| Territory Due Diligence Material | all information (including in electronic form) relating to the business, assets liabilities, operations, profits and losses, financial position and performance and prospects of Territory provide by Territory to Exxaro Iron in the Territory Data Room. |
| Territory Option | an option to subscribe for a Territory Share granted by Territory. |
| Territory Performance Right | a right granted under Territory's performance right plan to acquire by way of issue a Territory Share subject to the terms of such plan. |
| Territory Share or Share | a fully ordinary paid share in Territory. |
| Trading Day | has the meaning given in the Listing Rules. |
| USD | United States of America Dollars. |

9.2 Interpretation

In this Target's Statement:

- (1) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (2) Words of any gender include all genders.
- (3) Words importing the singular include the plural and vice versa.
- (4) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (5) A reference to a Section, clause, attachment and schedule is a reference to a Section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (6) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (7) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (8) A reference to time is a reference to Australian Western Standard Time.
- (9) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

10 AUTHORISATION

This Target's Statement has been approved by a resolution passed by the directors of Territory. Five of the six directors voted in favour of that resolution.

Signed for and on behalf of Territory:

date 7TH JUNE 2011

sign here 

print name ANDREW HASLAM

position MANAGING DIRECTOR

Attachment 1

BID CONDITIONS

1. Minimum acceptance condition

During, or at the end of, the Offer Period the number of Territory Shares in which Exxaro and its Associates together have Relevant Interests is at least 60% of all the Territory Shares (on a fully diluted basis).

2. No material adverse change to Territory

2.1 During the Condition Period, no matter, event, change, condition, circumstance or thing occurs, is discovered by Exxaro Iron or becomes public (in any such case, individually or when aggregated with all such matters, events, changes, conditions, circumstances and things and whether or not becoming public) which would result in or would reasonably be likely to result in:

2.1.1 the value of consolidated net assets of Territory being reduced by at least A\$5.8 million;

2.1.2 the future consolidated net profit after tax of Territory in any year reducing by at least A\$5.0 million;

2.1.3 Territory being unable to carry on its business in substantially the same manner as it was carried out on the Announcement Date;

2.1.4 any creditor demanding payment of a debt of A\$1.0 million or more ; or

2.1.5 a combined 35% decrease in the AUD effective price for 58% Fe fines CFR China (based on Bloomberg codes TSIP1058 for iron ore price and AUDUSD Curncy for AUD:USD exchange rate at 1700 hrs Australian Western Standard Time each Business Day) from the level on the Announcement Date for 5 consecutive Business Days,

including without limitation:

2.1.6 any person accelerating or adversely modifying the performance of any obligations of Territory or any of its subsidiaries under any material agreements, contracts or other legal arrangements,

but does not include any change:

2.1.7 occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement or the Bid;

2.1.8 occurring as a consequence of Noble calling in any outstanding debt owed to it by Territory;

2.1.9 occurring as a result of any matter, condition, circumstance or thing fully and fairly disclosed in the Territory Due Diligence Material or in an announcement made to ASX or a document lodged with ASIC before the Announcement Date;

2.1.10 approved in writing by Exxaro Iron; or

2.1.11 in respect of clauses 2.1.1 and 2.1.2 only, occurring as a result of spot iron ore prices or foreign exchange rates.

3. No prescribed occurrences

None of the following events happens during the Condition Period:

- 3.1 Territory converts all or any of its shares into a larger or smaller number of shares;
- 3.2 Territory or a subsidiary of Territory resolves to reduce its share capital in any way;
- 3.3 Territory or a subsidiary of Territory:
 - 3.3.1 enters into a buy-back agreement; or
 - 3.3.2 resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- 3.4 Territory or a subsidiary of Territory issues shares (other than on exercise of Territory Options or on vesting of Territory Performance Rights), or grants an option over its shares, or agrees to make such an issue or grant such an option (other than the issue of the 933,770 Territory Performance Rights the Board has previously resolved to issue);
- 3.5 Territory or a subsidiary of Territory issues, or agrees to issue, convertible notes;
- 3.6 Territory or a subsidiary of Territory disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- 3.7 Territory or a subsidiary of Territory charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- 3.8 Territory or a subsidiary of Territory resolves to be wound up;
- 3.9 a liquidator or provisional liquidator of Territory or of a subsidiary of Territory is appointed;
- 3.10 a court makes an order for the winding up of Territory or of a subsidiary of Territory;
- 3.11 an administrator of Territory, or of a subsidiary of Territory, is appointed under section 436A, 436B or 436C of the Corporations Act;
- 3.12 Territory or a subsidiary executes a deed of company arrangement;
- 3.13 a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Territory or of a subsidiary of Territory;

Provided that the conditions in paragraphs 3.1 to 3.13 inclusive will not include any occurrence:

- (a) fairly disclosed to Exxaro before the Announcement Date in the Territory Due Diligence Material or as a result of disclosures made to ASX or documents lodged with ASIC before the Announcement Date;
- (b) as a result of any matter, event or circumstance required by the Bid Implementation Agreement or the Bid; or
- (c) approved in writing by Exxaro Iron.

4 Additional prohibited events

None of the following events happens during the Condition Period:

- 4.1 Territory pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution;

- 4.2 Territory makes any change to its constitution or convenes a meeting to consider a resolution to change its constitution;
- 4.3 Territory or a subsidiary of Territory ceases, or threatens to cease to, carry on the business conducted by Territory as at the Announcement Date;
- 4.4 Territory or a subsidiary of Territory (other than a dormant, non-operating entity) being deregistered as a company;
- 4.5 any disposal of shares or securities in a subsidiary of Territory by Territory or a subsidiary of Territory in other than to another subsidiary of Territory;
- 4.6 an action taken by a Public Authority in consequence of, or in connection with, the Bid, which restrains or prohibits the making of the Bid or requires the divestiture by Exxaro Iron of any Territory Shares, or the divestiture of any assets by Territory or by any subsidiary of Territory or by any company within the Exxaro Group;
- 4.7 Territory, or any subsidiary of Territory:
 - 4.7.1 acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than A\$1.0 million or makes an announcement about such an acquisition;
 - 4.7.2 disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than A\$1.0 million or makes an announcement about such a disposal;
 - 4.7.3 enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership or dual listed company structure, or makes an announcement about such a commitment; or
 - 4.7.4 incurs or commits to, or grants to another person a right the exercise of which would involve Territory or any subsidiary of Territory incurring or committing to any capital expenditure or liability for one or more related items of greater than A\$1.0 million or makes an announcement about such a commitment;
- 4.8 Exxaro becomes aware that any document filed by or on behalf of Territory with ASX or ASIC contains a statement which is incorrect or misleading in any material particular or from which there is a material omission (in such circumstance, materiality being determined by reference to the business and assets of Territory taken as a whole);
- 4.9 Territory, or its subsidiary of Territory, releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- 4.10 Territory appoints any additional director to its Board of directors whether to fill a casual vacancy or otherwise;
- 4.11 Territory, or a subsidiary of Territory, enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager or employee, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date and except relating to the Territory Board exercising its discretion to allow any Territory Performance Rights to vest where permitted by their terms);

- 4.12 Territory has threatened or commenced against it any material claims or proceedings in any court or tribunal; or
- 4.13 Territory or a subsidiary of Territory directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to in paragraphs 4.1 to 4.12 above insofar as it applies to Territory or the subsidiary of Territory the subject of such direct or indirect authorisation, commitment, agreement or announcement; or
- 4.14 the S&P/ASX 200 index falls more than 15% below the closing level on the Announcement Date and stays below that level for 3 consecutive Trading Days,

provided that the conditions in paragraphs 4.1 to 4.13 inclusive will not include any occurrence:

- (a) fairly disclosed to Exxaro before the Announcement Date in the Territory Due Diligence Material or as a result of disclosures made to ASX or documents lodged with ASIC before the Announcement Date;
- (b) as a result of any matter, event or circumstance required by the Bid Implementation Agreement or the Bid; or
- (c) approved in writing by Exxaro Iron.

5. No exercise of change of control rights by a third party

No person exercises any right (whether subject to conditions or not) as a result of Exxaro Iron acquiring a Relevant Interest in Territory Shares pursuant to the Bid to:

- 5.1 acquire, or require Territory or a subsidiary of Territory to dispose of, or offer to dispose of, any material asset of Territory or a subsidiary of Territory;
- 5.2 terminate or vary any material agreement with Territory or a subsidiary of Territory; or
- 5.3 accelerate or adversely modify the performance of any obligations of Territory or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements,

save that this condition does not apply to the Marketing and Offtake Agreement between Territory and Noble executed on or about August 2007 and any financing agreements with Noble in existence at the Announcement Date.

Attachment 2

SUMMARY OF MATERIAL TERMS OF THE BID IMPLEMENTATION AGREEMENT

Exxaro and Territory entered into a Bid Implementation Agreement on 22 May 2011 under which Exxaro and Territory have agreed to co-operate with each other in relation to the Bid. A summary of the terms of the Bid Implementation Agreement is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of each of Exxaro and Territory under the Bid Implementation Agreement.

Under the Bid Implementation Agreement:

1 The Bid and recommendation

- 1.1 Exxaro has agreed to make the Offer to all Territory shareholders in respect of all of their Territory Shares.
- 1.2 Territory represents and warrants to Exxaro that a majority of the Territory Board will recommend that, in the absence of a Superior Proposal, Territory shareholders accept the Offer.
- 1.3 Territory will procure the members of the majority of the Territory Board who recommend the bid to accept the Offer in relation to any Territory Share held by them, in the absence of a Superior Proposal.

2 Facilitating the Bid

- 2.1 For purposes of item 6 of section 633(1) of the Corporations Act, Territory agrees that Exxaro may despatch offers under the Bid to Territory shareholders on the day on which the Bidder's Statement as lodged with ASIC is served on Territory or within 28 days after that day.
- 2.2 In the absence of a Superior Proposal, Territory and a majority of its directors will support the Bid and participate in efforts reasonably required by Exxaro to promote the merits of the Bid, but only to the extent that the majority of the Territory Board or the relevant director considers they may do so without breaching their duties as a director of Territory.
- 2.3 Territory agrees to use its reasonable endeavours to ensure satisfaction of the Bid Conditions.
- 2.4 Within 5 Business Days of the Offer becoming unconditional, Exxaro must make a private treaty offer to acquire all of the Territory Options (outstanding as at that date) from each holder of Territory Options. If accepted, the acquisition must be completed within 21 days of receipt of the acceptance.
- 2.5 Subject to any agreement between the parties, Territory must procure that the Territory Board will:
 - 2.5.1 take all actions necessary to ensure the nominees of Exxaro (**Exxaro Nominees**) are lawfully appointed as directors of Territory and that non Exxaro Nominees resign such that the Exxaro Nominees represent:
 - (a) three out of six directors of the Territory Board if Exxaro acquires a Relevant Interest in excess of 50% of the Territory Shares and the Bid has become or is declared free from all Bid Conditions; and

- (b) a majority of the Territory Board once Exxaro has paid for those acceptances of the Bid which resulted in it acquiring a Relevant Interest of 50% of the Territory Shares; and
- 2.5.2 as soon as practicable after Exxaro acquires a Relevant Interest in 90% of the Territory Shares and the Bid has become or is declared free from all Bid Conditions, ensure that all except one of the directors on the Territory Board, other than the Exxaro Nominees, resign (provided the proper Board is constituted at all times) and the continuing director resigns upon Territory being delisted,
- provided that Exxaro procures that the Exxaro Nominees do not participate in decisions of Territory in relation to the Bid until after the end of the Offer Period.
- 2.6 Exxaro currently wishes to continue the employment of the existing non-director employees of Territory on terms no less favourable than their existing terms of employment.
- 2.7 In the event that Exxaro obtains control (as defined in section 50AA of the Corporations Act) of Territory under or as a consequence of the Bid, Exxaro will not take any action, for a period of 6 months from the date that Exxaro obtains control of Territory, to:
- 2.7.1 terminate the existing employment agreement of any Territory employee as at the Announcement Date (except as permitted for cause under the terms of employment for such employee);
 - 2.7.2 make any position held by an employee of Territory as at the Announcement Date redundant; or
 - 2.7.3 reduce or adversely vary the terms and conditions of employment of any employee as at the Announcement Date (except in respect of the job title of such employee).

3 Employment

- 3.1 Exxaro has agreed that, in the event that it obtains control of Territory, it will not, for at least 6 months from the date Exxaro obtains control of Territory, terminate or make redundant any existing employees.

4 Compensation amount

- 4.1 Territory undertakes to pay Exxaro a compensating amount of A\$1,557,050 plus the amount of any GST payable, if:
- 4.1.2 Territory accepts or enters into or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal, or declares an intention to do any of these things;
 - 4.1.3 a majority of the Territory Board does not recommend the Bid or withdraws, qualifies or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Proposal or announces an intention to do any of these acts;
 - 4.1.4 before the date that is 6 months after the Offer Period ends, a person other than Exxaro or an Associate of Exxaro) and that person's Associates increases its Relevant Interest to more than 40% of Territory Shares pursuant to a Competing Proposal that was announced (or such intention was announced) before the end of the Offer Period;

4.1.5 Territory or any of its directors does (or omits to do) anything (whether or not it may be permitted by the terms of this document) which results in:

- (a) any of the Bid Conditions not being satisfied or becoming incapable of being satisfied and Exxaro does not declare the Bid free of the breached condition (which Exxaro is under no obligation to do); or
- (b) a Territory Prescribed Occurrence occurring other than with the consent of Exxaro; or

4.1.6 Territory breaches certain provisions of the Bid Implementation Agreement.

4.2 Following receipt by Exxaro of the compensation amount, Exxaro will not have any other claim under the Bid Implementation Agreement in respect of the matter that gave rise to such payment.

5 Exclusivity

5.1 From the date of the Bid Implementation Agreement until the earlier of the close of the Bid or termination of the Bid Implementation Agreement (the **Bid Exclusivity Period**), Territory must not except with the prior written consent of Exxaro, directly or indirectly solicit or invite any Competing Proposal or initiate or encourage discussions with any third party which may reasonably be expected to lead to a Competing Proposal or with a view to obtaining any expressions of interest, offer or proposal from any person in relation to a Competing Proposal.

5.2 During the Bid Exclusivity Period, Territory must not, and must ensure that its Representatives do not, except with prior written consent of Exxaro:

5.2.1 participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;

5.2.2 enter into any relevant agreement in connection with a Competing Proposal;

5.2.3 provide any information to a third party for the purposes of enabling that party to make or consider making a Competing Proposal or in circumstances where the provision of information may reasonably be expected to lead to a Competing Proposal;

5.2.4 communicate any intention to do the things in paragraph 5.2.1 – 5.2.3;

save where the Territory Board, acting in good faith, determines that any Competing Proposal may reasonably be expected to lead to a Superior Proposal and that failing to respond to the Competing Proposal would be likely to constitute a breach of the Territory Board's fiduciary or statutory duties.

5.3 Territory warrants that, as at the date of the Bid Implementation Agreement, it has ceased any existing discussions or negotiations with any party in relation to any Competing Proposal.

5.4 During the Bid Exclusivity Period, Territory must promptly notify Exxaro in writing of and approach in relation to a Competing Proposal which notice must include reasonable details of the applicable matter (including the identity of the third person and, if applicable, all material terms of the Competing Proposal) save where the Territory Board, acting in good faith, after having obtained written advice from its legal advisers, determines that providing such details would be likely to constitute a breach of the Territory Board's fiduciary or statutory duties.

5.5 If, during the Bid Exclusivity Period, the Territory Board has determined that a Competing Proposal may reasonably be expected to lead to a Superior Proposal, the following provisions apply:

- 5.5.1 Territory must promptly give Exxaro notice in writing of that fact and that notice must provide all material details of the Superior Proposal, including details of the proposed acquirer and any other material details;
- 5.5.2 if Territory gives Exxaro such a notice, Territory agrees that it will not, until the end of 4 Business Days following the receipt of that notice by Exxaro, enter into any legally binding agreement, whether conditional or not, with respect to the Superior Proposal;
- 5.5.3 if Territory gives Exxaro a notice, Exxaro will have the right, but not the obligation, at any time until the end of 4 Business Days following receipt of the notice to:
 - (a) offer to amend the terms of the Bid; or
 - (b) propose any other transaction,
 (each a **Counterproposal**), and if Exxaro does so, the Territory Board must promptly review the Counterproposal in good faith and do what the Territory Board considers is required to comply with its fiduciary or statutory duties, to determine whether the Counterproposal is equal to or more favourable to Territory shareholders than the Superior Proposal;
- 5.5.4 if the Territory Board determines, in good faith and in order to satisfy what the Territory Board considers to be its fiduciary or statutory duties, that the Counterproposal is equal to or more favourable to Territory shareholders than the Superior Proposal, then:
 - (a) if the Counterproposal contemplates an amendment to the Bid, the parties must enter into a document amending the Bid Implementation Agreement to reflect the Counterproposal;
 - (b) if the Counterproposal contemplates any other transaction, Territory must make an announcement as soon as reasonably practicable recommending the Counterproposal, in the absence of a more favourable proposal, and the parties must pursue the implementation of the Counterproposal in good faith;
 - (c) each material successive modification of any Competing Proposal in relation to a Superior Proposal made during the Bid Exclusivity Period will be deemed to constitute a new proposal and the provisions of this clause will apply to each such new proposal; and
 - (d) the terms of the Bid Implementation Agreement apply to any Counterproposal as if such proposal constitutes the Bid.
- 5.6 The exclusivity obligations apply to a "Competing Proposal", being a proposal that would, if completed, result in:
 - 5.6.1 any person other than Exxaro acquiring an interest in all or part of the assets of Territory, increasing its Relevant Interest in Territory above 20% (or if already above 20%, increasing its Relevant Interest, other than subject to the ability to 'creep' under the Corporations Act), or otherwise acquiring control (as defined in the Corporations Act) of Territory; or
 - 5.6.2 Territory and another person or persons operating under a dual listed company or similar structure.

7 Termination

- 7.1 Either party to the Bid Implementation Agreement may terminate that agreement:
 - 7.1.1 if the other party is in material breach of this document and that breach is not remedied by that other party within 10 Business Days;
 - 7.1.2 if a court or other Public Authority issues a final and non-appealable order or ruling or takes an action which permanently restrains or prohibits the Offer; or
 - 7.1.3 if the Bid lapses for any reason including non-satisfaction of a condition of the Bid.
- 7.2 Exxaro may terminate the Bid Implementation Agreement if:
 - 7.2.1 Territory is in breach of the exclusivity obligations outlined above;
 - 7.2.2 the majority of the Territory Board changes its recommendation in relation to the Bid following or as a result of the Board determining that it has received a Superior Proposal;
 - 7.2.3 a majority of the Territory Board does not recommend the Bid be accepted by Territory shareholders or, having recommended the Bid, changes, qualifies or adversely modifies its recommendation in relation to the Bid;
 - 7.2.4 a Territory Prescribed Occurrence occurs; or
 - 7.2.5 a Territory Material Adverse Change occurs; or
 - 7.2.6 there is an Event of Default under the Facility Agreement.

SUMMARY OF MATERIAL TERMS OF THE FACILITY AGREEMENT

Exxaro (acting through FirstRand Bank Limited, acting through RMB) and Territory entered into a Facility Agreement on 22 May 2011 under which RMB has agreed to provide financing support to Territory of up to US\$36 million (**Facility**) to satisfy moneys owing to Noble Resources Limited and for other working capital purposes (**Facility Agreement**). A summary of the terms of the Facility Agreement is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of each of RMB and Territory under the Facility Agreement.

Under the Facility Agreement:

- 1 The Facility Agreement contains usual commercial terms for a Facility of this nature.
- 2 The Facility is to be secured by the provision of:
 - (a) a mining mortgage over certain mining tenements held by Territory;
 - (b) a fixed and floating charge over all of the assets and undertakings of Territory and Territory Iron Pty Ltd;
 - (c) a share mortgage over the share held by Territory in Territory Iron Pty Ltd and Territory Land Holdings Pty Ltd; and
 - (d) a guarantee and indemnity granted by Territory Iron Pty Ltd.
- 3 The Facility is available for drawing following the satisfaction of usual conditions precedent for a Facility of this nature until the earlier of:
 - (a) the Bid lapsing due to the non-satisfaction of conditions or the Bid being withdrawn;
 - (b) a Superior Proposal being announced;
 - (c) if, on or before 10 June 2011, Territory has not offered to Exxaro or its nominee an unconditional option to subscribe for up to the maximum number of shares that Territory is able to issue pursuant to any applicable law at an offer price of \$0.46 per Share exercisable by Exxaro at any time within 6 months after the offer of the option (**Exxaro Option**); and
 - (d) the final repayment date.

RMB has agreed that the conditions precedent to drawing have been satisfied, subject to the satisfaction of certain conditions subsequent.
- 4 The Facility is interest only payable monthly and must be repaid as a bullet in full at the earlier of
 - (a) 12 months from the date of first drawdown; and
 - (b) 15 months from the date of the Facility Agreement.
- 5 The Facility is also repayable in full in the following circumstances:
 - (a) if the Bid lapses due to non-satisfaction of the conditions or the Bid is withdrawn, Territory must repay the Facility in full in 90 days;
 - (b) if a Competing Proposal is made which is:

- (1) not recommended by the Board of Territory within 5 Business Days of the announcement, Territory must repay the Facility in full in a further 90 days;
- (2) recommended by the Board of Territory, Territory must repay the Facility in full in 14 days;
- (c) if, on or before 10 June 2011, the Exxaro Option have not been offered, Territory must repay the Facility in full 14 days.
- (d) if the Board of Territory does not recommend the Bid or withdraws, qualifies or adversely modifies their recommendation of the Bid, Territory must repay the Facility in full in 14 days.

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