



ANNOUNCEMENT

23 MAY 2011

TERRITORY RESOURCES LTD RECOMMENDS A\$0.46 CASH PER SHARE TAKEOVER OFFER BY EXXARO RESOURCES LTD

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HIGHLIGHTS

- Exxaro to make takeover offer for Territory at A\$0.46 cash per share
- In the absence of a Superior Proposal, the Offer is recommended by a majority of the Territory Board
- Offer price represents 64% premium to Territory's last closing share price of A\$0.28 per share
- Total equity value of Offer is A\$123 million
- Territory's 11.2% shareholder DCM has executed a pre-bid agreement with Exxaro
- Territory has ceased discussions with Noble in relation to the non-binding proposal announced on 10 May 2011

Territory Resources Ltd (ASX: TTY) ("Territory") and Exxaro Resources Ltd ("Exxaro"), a South African-based mining group listed on the Johannesburg Stock Exchange, have executed a Bid Implementation Agreement ("BIA") under which Exxaro will offer to acquire up to 100% of the fully paid ordinary shares in Territory by way of an off-market takeover bid (the "Offer"). The Offer follows Exxaro completing due diligence on Territory.

In the absence of a Superior Proposal, the Offer is recommended by a majority of the Territory Board. Furthermore and in the absence of a Superior Proposal, each recommending Territory Director has agreed to accept the Offer with respect to all shares owned or controlled by them.

On 22 May 2011, Exxaro also entered into a pre-bid acceptance agreement with DCM DECOmetal ("DCM") in relation to its 11.2% holding in Territory. As a result of this transaction, Exxaro has a relevant interest in Territory of 11.2%.

Exxaro has also agreed to provide, via FirstRand Bank Limited (acting through its Rand Merchant Bank (“RMB”) division), financing support to Territory up to US\$36 million in certain circumstances (the “Facility”).

The Offer

The Offer price is A\$0.46 cash per Territory share (“Offer Price”) and values Territory at approximately A\$123 million (on a fully diluted basis¹). Exxaro intends to fund the Offer consideration from internal funding sources.

Territory and Exxaro believe the Offer provides a very attractive opportunity for Territory shareholders to realise their investment in Territory at a significant premium to recent share trading levels, with the Offer Price representing a premium of:

- 64% to Territory’s last closing share price prior to this announcement of A\$0.28 per share;
- 69% to the volume weighted average price of Territory shares since it released a market update on 19 April 2011; and
- 58% to the volume weighted average price of Territory shares since it announced it had signed a non-binding term sheet in respect of a conversion of debt to equity with Noble Group Limited (“Noble”) on 10 May 2011 (“Noble Proposal”).

The cash Offer also provides certainty of value for Territory shares and an opportunity for shareholders to realise their investment in Territory shares for cash.

Following the execution of the BIA, the Territory Board has ceased discussions with Noble and will not be progressing the Noble Proposal.

Territory believes that Exxaro’s Offer is a more attractive proposition for Territory shareholders than the Noble Proposal, in particular because Exxaro’s Offer provides a liquidity event whereby all shareholders are being given the opportunity to receive cash at a significant premium to the prevailing market price, thereby enabling them to capture immediate and certain value.

Importantly, Territory has been able to agree binding documents with Exxaro which include financing arrangements that will ensure Territory has the required capital to meet its short term funding needs if the existing Noble facilities are withdrawn or scaled back.

Comment

Commenting on the Offer, the Managing Director of Territory, Mr Andy Haslam, said “The Territory Board of Directors has carefully considered the offer by Exxaro and the

¹ Based on 268.5m fully diluted shares on issue (265,121,141 ordinary shares on issue, 2,406,458 performance rights on issue and 933,770 performance rights which the Territory Board had resolved to issue prior to the Exxaro approach but are not yet issued).

majority of the Board supports and recommends the offer as being in the best interests of Territory and our shareholders, subject to there being no Superior Proposal.”

Mr Siphon Nkosi, the CEO of Exxaro, said “Territory’s assets provide an excellent match to Exxaro’s stated objective of gaining operational exposure in iron ore. Territory represents a reasonably sized opportunity which will allow Exxaro to leverage its bulk commodity and iron ore beneficiation expertise. At the same time the Offer allows Territory shareholders the opportunity to realise an attractive cash price at a considerable premium to the market value.”

Substantial Shareholder Support

DCM DECOMetal (“DCM”), which currently owns 11.2% of Territory’s shares, is supportive of the Offer and has executed a pre-bid agreement with Exxaro whereby it will accept into the Offer within 2 days of it opening. Furthermore, under this agreement Exxaro has been given voting discretion in relation to DCM’s shareholding in Territory.

Exclusivity Arrangements and Offer Conditions

As part of the BIA executed between the parties, Territory and Exxaro have agreed customary exclusivity arrangements including “no shop” and “no talk” clauses. The BIA also provides Exxaro with notification and matching rights, such that Territory must provide immediate notification of any competing proposal to Exxaro and allow Exxaro a period of time to table a counter-offer. A break fee of approximately A\$1.557 million (excluding GST) may also be payable by Territory under certain circumstances.

The Offer is conditional upon the satisfaction of certain conditions, including a 60% minimum acceptance condition, no material adverse change in relation to Territory and no prescribed occurrences in relation to Territory. The Offer is also conditional upon Territory entering into an agreement in relation to the termination of its outstanding loan arrangements with Swan Gold Limited under which Territory is entitled to receive at least A\$6.7 million in cash.

A summary of the key terms of the BIA, including the conditions of the Offer, is attached to this announcement as Appendix A.

Financing Support up to US\$36 million

RMB (guaranteed by Exxaro) has entered into financing arrangements under which Exxaro (through RMB) has agreed to provide Territory with a Facility for up to US\$36 million in certain circumstances. The Facility is subject to a Facility Agreement entered into by Territory and RMB on 22 May 2011. The period of facility availability is conditional on a number of factors including whether the Territory Board changes its recommendation in relation to the Offer due to a Superior Proposal and whether Exxaro is issued an option to subscribe for up to 15% of Territory’s issued share

capital at a subscription price of A\$0.46 per share. A summary of the key terms of the Facility Agreement is attached to this announcement as Appendix B.

Timetable

Exxaro will finalise and mail out its Bidder's Statement around early June 2011. This document will outline the full details of the Offer and instructions about how to accept the Offer. Territory will finalise and mail out its Target's Statement shortly thereafter. Territory shareholders should carefully consider these documents before deciding whether to accept into the Offer.

Advisers

Territory is being advised by Azure Capital as financial adviser and Freehills as legal adviser. Exxaro is being advised by Greenhill Caliburn Pty Limited and RMB Corporate Finance as financial advisers and Bennett & Co and Lavan Legal as legal advisers.

Ends

About Territory

Territory Resources Ltd is a Perth, Western Australia-based resources company focused the development and operation of bulk commodity operations such as its 100%-owned Frances Creek Iron Ore Mine, located in the Northern Territory.

About Exxaro

Exxaro is one of the largest South African-based diversified resources groups, with interests in the coal, mineral sands, base metals, industrial minerals and iron ore commodities. Further information can be found about Exxaro at www.exxaro.com.

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Appendix A – Summary of Key Terms of 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 represented 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

2.5.4 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).

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.

Bid Conditions

The Offer will be subject to the following 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 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 at the date of this agreement;

2.1.4 any creditor demanding payment of a debt of A\$1.0 million or more other than as contemplated in clause 2.1.8; or

2.1.5 a combined 35% decrease in the AUD effective price for 58% Fe fines CFR China (based on Bloomberg codes TSIPIO58 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 date of the Bid Implementation Agreement 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 this document, the Bid or the transactions contemplated by them;

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 date of the Bid Implementation Agreement;

- 2.1.10 approved in writing by Exxaro; 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 movements.
- 2.2 During the Condition Period, the S&P/ASX 200 Index not falling more than 15% below the closing level on the date of the Bid Implementation Agreement (or where the Bid Implementation Agreement is signed on a day that is not a trading day on ASX, the closing level on the trading day immediately following the date of the Bid Implementation Agreement) and staying below that level for 3 consecutive Trading Days.

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;
- 3.14 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;
- 3.15 Territory makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of Territory or a subsidiary of Territory;
- 3.16 Territory or a subsidiary of Territory ceases, or threatens to cease to, carry on the business conducted as at the date of this agreement;
- 3.17 Territory or a subsidiary of Territory (other than a dormant, non-operating entity) being deregistered as a company or being otherwise dissolved;
- 3.18 any disposal of shares or securities by Territory or a subsidiary of Territory in relation to a subsidiary of Territory other than to another subsidiary of Territory;
- 3.19 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 the completion of any transaction contemplated by the Bidder's Statement or requires the divestiture by Exxaro 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;
- 3.20 Territory, or any subsidiary of Territory:
 - 3.20.1 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;
 - 3.20.2 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;
 - 3.20.3 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

- 3.20.4 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,
- 3.21 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); or
- 3.22 Territory, or its subsidiary, releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- 3.23 Territory appoints any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- 3.24 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 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 other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the date of this agreement and except relating to the Territory Board exercising its discretion to allow any Territory Performance Rights to vest where permitted by their terms);
- 3.25 Territory has threatened or commenced against it any material claims or proceedings in any court or tribunal; or
- 3.26 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 3.1 to 3.25 above insofar as it applies to Territory or the subsidiary of Territory the subject of such direct or indirect authorisation, commitment, agreement or announcement.

provided that it will not include any occurrence:

- 3.27 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;
- 3.28 occurring as a result of any matter, event or circumstance required by this document, the Takeover Bid or the transactions contemplated by them; or
- 3.29 approved in writing by Exxaro.

4 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 acquiring Territory Shares to:

- 4.1 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;
- 4.2 terminate or vary any material agreement with Territory or a subsidiary of Territory; or
- 4.3 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 Resources Limited executed on or about August 2007 and any financing agreements with Noble in existence at the date of the Bid Implementation Agreement.

5 Swan Gold Limited loan termination

During the Condition Period Territory enters into an agreement in relation to the termination of its loan arrangements with Swan Gold Limited under which Territory is entitled to receive no less than \$6,700,000 in cash.

6 Definitions

In this Schedule:

Agreed Announcement means the joint announcement agreed by the parties in relation to the Bid substantially in the form set out in Schedule 4.

Announcement Date means the date of release of the Agreed Announcement.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as appropriate.

AUD means Australian dollars.

Bid Implementation Agreement means the Bid Implementation Agreement entered into by Exxaro and Territory on or prior to the Announcement Date.

Bidder's Statement means the bidder's statement to be issued by Exxaro with respect to the Bid Offer.

Business Day means a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia.

CFR means Cost and Freight and, with respect to a named port of destination:

- (b) Carriage of goods is to be arranged by the seller;
- (c) Risk transfers from the seller to the buyer when the goods pass the ship's rail; and

- (d) Cost transfer at port of destination, buyer paying such costs as are not for the seller's account under the contract of carriage.

Condition Period means the period beginning on the date of this agreement and ending at the end of the Offer Period.

Corporations Act means the *Corporations Act 2001* (Cth).

Exxaro means Exxaro Resources Limited Registration Number 2000/011076/06 (a public company duly incorporated in South Africa) of Roger Dyason Road, Pretoria West 0183, South Africa.

Exxaro Group means Exxaro and its related bodies corporate (as defined in the Corporations Act).

Noble means Noble Group Limited (a company duly incorporated in Bermuda) of Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its related bodies corporate (as defined in the Corporations Act).

Offer means the offer to acquire Territory Shares to be made by Exxaro to Territory shareholders.

Offer Period means the period during which the Offer is open for acceptance.

Public Authority means 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.

Register Date means the date set by Exxaro pursuant to section 633(2) of the Corporations Act.

Relevant Interest has the same meaning as given in sections 608 and 609 of the Corporations Act.

Territory means Territory Resources Limited ACN 100 552 118 of Ground floor, 23 Ventnor Avenue, West Perth, Western Australia 6005.

Territory Data Room means the virtual data room established by Territory to provide Exxaro access to information about Territory.

Territory Due Diligence Material means all information (including in electronic form) relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Territory provided by Territory to Exxaro in the Territory Data Room.

Territory Option means an option to subscribe for a Territory Share granted by Territory.

Territory Performance Right means 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 means a fully paid ordinary share in the capital of Territory which is on issue as at the Register Date together with any Territory Share that is issued during the Offer Period as a result of the exercise of a Territory Option or the vesting of a Territory Performance Right.

Trading Day has the meaning given in the Listing Rules of the ASX.

USD means United States of America Dollars.

Appendix B – Summary of Key Terms of Facility Agreement

Exxaro (acting through FirstRand Bank Limited (acting through its Rand Merchant Bank Division (**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 Ltd 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 Options**); 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 Options 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.