



# Territory Resources Limited

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10 May 2011

Manager Announcements  
Company Announcements Office  
ASX Limited  
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Dear Sir/Madam

## **Territory and Noble Agree to Debt Conversion and Option for a Placement at 45 cents**

Attached is a Media Release in regard to the above.

Yours sincerely,

**Patrick McCole**  
Company Secretary



**An Australian Resources Group**

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Media/ASX Release

10 May 2011

## Territory and Noble Agree to Debt Conversion and Option for a Placement at 45 cents

### Key Points:

- 1. Non-binding term sheet signed with Noble to convert its remaining US\$20.7 million core debt to equity at a conversion price of AUD\$0.45 per share, representing a 91% premium to the closing share price on 10 May 2011 and an 82% premium to the 15-day VWAP of Territory shares in the period up to and including 10 May 2011.**
- 2. If the Debt Conversion completes, Territory also agrees to grant a six month option to Noble to subscribe for a further 35.1 million shares at AUD\$0.45 per share, which if exercised would increase Noble's interest in Territory to 45% and, subject to an ASX waiver, the right to maintain its aggregate shareholding percentage by participation in future issues conducted during the option period.**
- 3. The Debt Conversion, Share Placement Option and Anti-Dilution Right are subject to binding documentation, which is to be agreed as soon as practicable, and Territory shareholder approval.**
- 4. If the Debt Conversion completes and Share Placement Option is exercised, Territory will be well placed with a stronger balance sheet and free cash flow from operations to support ongoing growth initiatives.**

Australian iron ore producer Territory Resources Limited (ASX: **TTY** – “Territory” or “the Company”) is pleased to announce it has entered into a non-binding term sheet with its major shareholder, Noble Group (“Noble”), for conversion of the outstanding core debt of US\$20.7 million owing under its secured term debt facility with Noble into ordinary equity at a price of \$0.45 per share (“Debt Conversion”).

The Debt Conversion price of \$0.45 represents improved terms to those initially announced to the market on 17 February 2011 and compares to the Company's share price of \$0.235 as at close of trade on 10 May 2011 (being the most recent share price prior to the release of this announcement).

In addition, should the Debt Conversion complete, Territory has also agreed to grant:

- a 6 month option to Noble to subscribe for a share placement of 35.1 million shares at \$0.45 per share (“Option” or “Share Placement Option”), exercisable at any time within 6 months of the Debt Conversion. If the Option is exercised, A\$15.8 million will be received from Noble to support the Company's exploration and business development activities and Noble's shareholding in Territory will increase to 45%; and
- an anti-dilution right, pursuant to which Noble must be offered the opportunity to participate in share issues during the 6 month option period on the same terms as other parties to maintain its aggregate shareholding in Territory (“Anti-Dilution Right”).

The completion of the Debt Conversion would leave Territory with a stronger balance sheet and the immediate release of cash flow for debt service. If the Share Placement Option is exercised, Noble will have increased its interest in the Company and the funds raised will support the Company's ongoing resource and business development initiatives.





Territory's Chairman, Mr Andrew Simpson, said the improved Debt Conversion terms and the Option for a share placement to Noble represented an attractive outcome for the Company and Noble.

"Based on the uncertainty in capital markets and the difficult operating conditions we experienced over the wet season – which was one of the wettest on record in Northern Australia – we had announced on 19 April that we would defer any decision on the original Debt Conversion terms," Mr Simpson said.

"Territory's Board has completed a review of the potential value of the Company and in light of its significant exploration potential and application of beneficiation technology to lower grade resources within the Company's mining footprint, have agreed new Debt Conversion terms at a higher value."

"The revised terms of the Debt Conversion reaffirm Noble's ongoing support for Territory's exploration and beneficiation program, which has the potential to significantly extend the life of the Frances Creek mine utilising the excellent infrastructure in the region," Mr Simpson said. "It also provides evidence of the Board's commitment to growing Territory's materials supply program in Australia and overseas."

The Debt Conversion, Share Placement Option and Anti-Dilution Right are conditional upon the negotiation of binding documentation and receipt of Territory shareholder approval, with the Anti-Dilution Right also subject to Territory obtaining an appropriate waiver of the applicable ASX Listing Rules on terms acceptable to the parties. The parties will seek to enter binding agreements in respect of the transaction as soon as practicable, and no later than 24 May 2011. If binding documents cannot be agreed or Territory shareholder approval is not obtained, the transaction will not proceed and the Company will be required to repay the Noble core debt from operating cash flow. If the ASX waiver for the Anti-Dilution Right is not obtained on terms satisfactory to the parties, the Debt Conversion and Share Placement Option may still proceed, subject to shareholder approval and other conditions precedent.

The Board also advises that it has recently been in confidential, non-binding discussions with a third party in relation to an alternative, incomplete proposal involving a control transaction and the refinancing of the Noble debt. There were a number of material uncertainties associated with the completion of this alternative proposal and having fully assessed the possible alternative transaction available to the Company, the Board considers that the current transaction is a superior proposal for shareholders.

## **Further details on Debt Conversion, Share Placement Option and Anti-Dilution Right**

Territory, Noble Resources Limited and Jonesville Limited ("Jonesville") (a wholly owned subsidiary of Noble) entered into a non-binding term sheet in relation to the Debt Conversion, Share Placement Option and Anti-Dilution Right on 10 May 2011. The term sheet contemplates the following:

- to effect the Debt Conversion, 42.23 million shares will be issued to Jonesville at \$0.45 per share. Territory will pay those funds to Noble in full and final satisfaction of the current amount owing under the core debt facility. Any interest outstanding on the core debt (which is expected to be minimal) will be paid by Territory to Noble in cash at completion of the Debt Conversion;
- Should the Debt Conversion complete, Noble will be granted an option to be issued 35.1 million shares at an exercise price of \$0.45 per share, exercisable within 6 months of the Debt Conversion being completed. Should this Option be exercised, Noble's shareholding in Territory will increase to 45%;
- subject to the ASX granting the necessary waiver on terms satisfactory to the parties, Noble will also be granted an Anti-Dilution Right pursuant to which Noble must be offered the opportunity to participate in further share issues during the 6 month option period on the same terms as other parties to maintain its aggregate shareholding percentage in Territory;





- the definitive agreements will include customary no shop, no talk provisions, with standard fiduciary carve outs;
- the Debt Conversion, Share Placement Option and Anti-Dilution Right will be subject to:
  - shareholder approval under item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act, ASX Listing Rule 10.11 and all other purposes at a general meeting of Territory shareholders;
  - the accuracy of representations and warranties to be agreed in the definitive documentation;
  - there being no material adverse change occurring or becoming known before completion; and
  - Territory being in a position to issue a cleansing statement or cleansing prospectus at completion to ensure that the shares issued pursuant to the transaction are freely tradeable.

Territory and Noble will now proceed to negotiate binding agreements to implement the proposed transactions. Until binding agreements are concluded, neither party will be legally required to proceed with the proposed transactions. Noble has the right not to proceed if definitive documentation is not entered into on or before 24 May 2011.

Territory will commission an Independent Expert to opine on whether the transactions are fair and reasonable to shareholders of the Company not associated with Noble. The Independent Expert's report will be included with the materials for the notice of meeting and explanatory memorandum that will be sent to Territory shareholders in due course.

Further to Territory's announcement on 19 April 2011, Territory will not be proceeding with the Share Purchase Plan announced on 17 February 2011.

Territory has been advised by Freehills and Azure Capital in relation to this transaction.

- ENDS -

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**On behalf of:**  
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**Chairman**  
**Territory Resources Ltd**  
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### **Forward-Looking Statements**

*This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Territory Resources Limited, that could cause actual results to differ materially from such statements. Territory Resources Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.*

### **Exploration Targets**

*It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration targets for the Frances Creek Iron Ore Project should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

