



Media/ASX Release

17 February 2011

Proposed US\$20.9M Noble Debt Conversion and additional Capital Raisings to Underpin Growth

Potential for iron ore producer to be cashed up for resource and business development

Key Points:

- 1. Non-binding in-principle agreement with Noble to convert its remaining US\$20.9M core debt to equity at a conversion price of AUD31.5 cents per share, representing a 10% discount to the 30-day VWAP of Territory shares in the period up to and including 1 February 2011.**
- 2. Debt conversion will be subject to binding definitive agreements being reached and shareholder approval.**
- 3. Territory is in discussions with Austrian-based trading house DCM Decometal GMB, who currently have a 10.6% holding in the Company, in relation to a \$2.5 million share placement, also at 31.5 cent, which if implemented, will be subject to shareholder approval.**
- 4. Territory proposes to launch a Share Purchase Plan ("SPP") enabling all eligible shareholders to purchase up to \$10,000 worth of shares at an issue price of 30 cents per share, subject to completion of the debt conversion.**
- 5. If the combined capital raisings and debt conversion proceed, Territory will be left with a strong balance sheet and robust cash flows to support its ongoing exploration, resource development and acquisition programs.**

Australian iron ore producer Territory Resources Limited (ASX: **TTY** – "Territory" or "the Company") is pleased to announce that it has entered into a non-binding in-principle agreement with its major shareholder, Noble Group ("Noble"), for a debt-to-equity conversion ("Debt Conversion") of the entire remaining core debt of US\$20.9 million owing under its secured debt facilities with Noble.

In addition, the Company has resolved to offer:

- a \$2.5 million share placement to one of its other major strategic shareholders, the Austrian-based commodities trading house, DCM Decometal GMBH (DCM), ("Decometal Placement"), at the same price as the proposed Debt Conversion. DCM currently have a 10.6% holding in the Company. At this stage Territory is in discussions with DCM in relation to the placement. Territory intends to seek shareholder approval in respect of the Decometal Placement; and
- a Share Purchase Plan ("SPP") under which all shareholders will have the opportunity to subscribe for up to A\$10,000 worth of new fully paid ordinary Territory shares at 30 cents per share, conditional on completion of the Debt Conversion.

The proposed Debt Conversion is subject to binding definitive agreements being reached with Noble, and will be conditional on shareholder approval. If binding definitive agreements are not concluded, or shareholder approval is not obtained, the Debt Conversion will not proceed. Territory's Board proposes to commission an Independent Expert's Report to determine whether the Debt Conversion is fair and reasonable to shareholders of the Company not associated with Noble.



An Australian Resources Group

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If the combined capital raisings and Debt Conversion proceed, Territory will be left with a strong balance sheet and robust cash flows to aggressively support ongoing exploration and resource development through product beneficiation and acquisition programs.

"This is a very important step which effectively completes the repositioning of Territory Resources," said the Company's Chairman, Mr Andrew Simpson. "Over the past two years we have engineered an operational turnaround which has enabled us to significantly reduce our core debt and extend our resource and reserve base. This has been achieved through strong management by our MD, Andy Haslam, and the dedicated Territory management team.

"We will be ready to move to a new level of growth and development as a result of these transformational transactions. This growth scenario will specifically concentrate on a much more aggressive exploration and product beneficiation program to ensure the maximized use of the excellent infrastructure assets under the Company's control, and also provide the Company with the opportunity to invest in alternative projects, and to utilise our core strengths of strong operational management and market position in China."

Debt Conversion

Territory has reached a non-binding in-principle agreement with Noble to convert the outstanding core debt of US\$20.9 million into fully-paid ordinary shares in the Company at a price of 31.5 cents per share, which represents a 10% discount to the 30-day VWAP (volume weighted average price) of Territory shares in the period up to and including 1 February 2011.

Territory and Noble will now proceed to negotiate definitive agreements on the Debt Conversion, based on this pricing. Until definitive agreements are concluded, neither party will be legally required to proceed with the proposed Debt Conversion.

The Debt Conversion will result in the issue of a total of 66.7 million shares to Noble, increasing its holding from 28.9% currently to 43.24%, before completion of the associated Decometal Placement and SPP outlined below.

The Debt Conversion will be subject to shareholder approval at a proposed Extraordinary General Meeting, with the Notice of Meeting to be issued in the coming weeks (assuming that definitive agreements are concluded). Territory will commission an Independent Expert's Report to assess whether the Debt Conversion is fair and reasonable to shareholders not associated with Noble. This report will be included in the Notice of Meeting documentation.

Share Placement

The Company intends to offer a share placement at an issue price of 31.5 cents per share to DCM . The Company is presently in discussions with DCM in regards to the Decometal Placement which will be conditional on shareholder approval. The maximum number of shares which would be issued under the Placement is 7,900,000.

Proceeds of the Decometal Placement will be used for general working capital purposes and to fund ongoing exploration and business development activities.

Share Purchase Plan

The Company is pleased to announce that subject to the completion of the Debt Conversion it will implement the SPP. If the SPP proceeds, shareholders with Australian and New Zealand registered addresses as at the record date of 7.00 pm Sydney time on 16 February 2011 will have the opportunity to subscribe for up to \$10,000 worth of new fully paid ordinary shares at 30 cents per share.





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The Company has chosen to limit the SPP to the issue of 79,536,342 ordinary shares (with applications to be scaled back, to the extent necessary), which represents 30% of the Company's issued capital as at the date of this announcement. If fully taken up, total funds raised will be \$23,860,902.

Full details of the SPP will be set out in documentation, together with an application form, which the Company will send to all eligible shareholders, if the SPP proceeds.

The funds raised from the SPP will be used for general working capital purposes and to support the Company's exploration and business development activities.

- ENDS -

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Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr David Broomfield, who is a Member of the Australasian Institute of Mining and Metallurgy, and is a full-time employee of Territory Resources Limited. Mr Broomfield 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 Broomfield consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.



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