

# SECTION 3

## Reasons why you should accept the Offer

- 1 THE OFFER IS RECOMMENDED BY A MAJORITY OF THE TERRITORY BOARD.**
- 2 EXXARO IRON IS OFFERING YOU A SUBSTANTIAL PREMIUM FOR YOUR TERRITORY SHARES.**
- 3 THE OFFER CONSIDERATION EXCEEDS THE HIGHEST CLOSING PRICE OF TERRITORY SHARES IN THE 24 MONTHS PRIOR TO THE ANNOUNCEMENT OF THE OFFER.**
- 4 THE TERRITORY SHARE PRICE MAY FALL IF THE OFFER IS UNSUCCESSFUL.**
- 5 THE OFFER IS A SIMPLE CASH OFFER WHICH PROVIDES CERTAIN VALUE FOR YOUR TERRITORY SHARES WHILE REMOVING YOUR EXPOSURE TO THE RISKS ASSOCIATED WITH A CONTINUED HOLDING IN TERRITORY.**
- 6 THE OFFER REPRESENTS THE BEST OFFER FOR YOUR TERRITORY SHARES.**

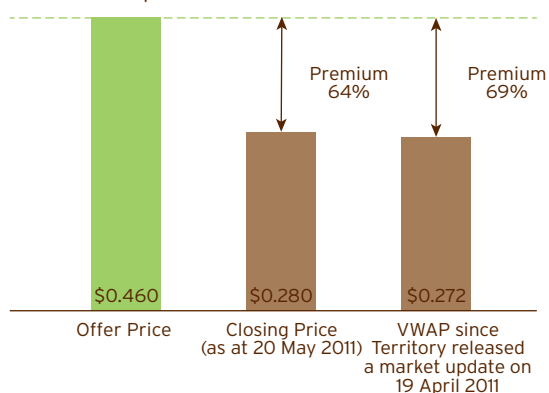
### 3.1 Offer recommended by a majority of the Territory Board

The Offer is recommended by a majority of the Territory Board in the absence of a Superior Proposal and the recommending directors of Territory have indicated that they intend to accept the Offer in respect of any shares they own in Territory.

### 3.2 Exxaro Iron is offering you a substantial premium for your Territory Shares

Exxaro Iron's cash consideration of A\$0.46 for each Territory Share represents a very substantial premium. In particular, it represents a:

- 64% premium to the last traded price of Territory Shares on the ASX on 20 May 2011, being the date prior to the announcement of Exxaro Iron's Offer for Territory; and
- 69% premium to the VWAP of Territory Shares since it released a market update on 19 April 2011.



Source: IRESS, Company announcements

### 3.3 The Offer consideration exceeds the highest daily closing price of Territory Shares in the 24 months prior to the announcement of the Offer

As the following chart illustrates, Exxaro Iron's cash offer of A\$0.46 per share exceeds the price at which Territory Shares have traded during the 24 month period ending on 20 May 2011.

In particular, Exxaro Iron's cash offer of A\$0.46 per share is a 5.7% premium to the highest price at which Territory Shares have traded during the 24 month period ending on 20 May 2011.



Source: IRESS, Company announcements

### 3.4 The Offer is a simple cash offer which provides certain value for your Territory Shares whilst removing your exposure to the risks associated with a continued shareholding in Territory

The Offer provides certainty of value by offering 100% cash consideration. By accepting the Offer you will receive A\$0.46 cash per Territory Share, subject to the satisfaction of the Bid Conditions.

Furthermore, you will not incur any brokerage charges by accepting the Offer.

You should contrast the certainty of receiving A\$0.46 per Territory Share against the various risks and uncertainties to which Territory may be subject and which could affect the liquidity and trading price of Territory Shares. The risks and uncertainties associated with Territory include:

- Territory's significant debt funding currently in the amount of approximately US\$35,498,000;
- Territory's ore reserves which imply a relatively short remaining mine life of 3 years;
- Exploration risks to increase Frances Creek mine life;
- Currency and iron ore price fluctuations;
- The ability of Territory to continue to sell its product at prevailing spot prices pursuant to its marketing and offtake arrangements with Noble;
- Operational risks associated with the Frances Creek mine and shipment through the port of Darwin; and
- Share market risks.

### 3.5 Territory Share price may fall if the Offer is not successful

The Offer is at a significant premium to trading prices prior to the announcement of the Offer. If the Offer is not successful, and no other offers are made for Territory Shares, the Territory Share price may fall below the current trading price.

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. Therefore it could be more difficult for you to sell your Territory Shares later should you choose to do so.

### 3.6 The Offer represents the best offer for your Territory Shares

A majority of the Territory Board has concluded that, in the absence of a Superior Proposal, the Offer represents the best opportunity for Territory Shareholders to maximise value from their investment in Territory Shares. In reaching this view, the Territory Board concluded that, as against the Noble Proposal, the offer provides a liquidity event where all shareholders are given the best opportunity to capture immediate and certain value for their shares. Accordingly, the Territory Board has recommended that Territory Shareholders accept the Offer in the absence of a Superior Proposal.