

SECTION 2

Letter to Territory shareholders

31 May 2011

Dear Territory Shareholder

Recommended off-market cash takeover bid for Territory

We are pleased to enclose an offer (**Offer**) from Exxaro Australia Iron Investments Pty Ltd ACN 151 112 524, (**Exxaro Iron**) a wholly owned Subsidiary of Exxaro Resources Limited (**Exxaro**), to acquire all your shares in Territory Resources Limited (**Territory**) for A\$0.46 cash per share.

Who is Exxaro?

Exxaro is a South African-based mining company listed on the Johannesburg Stock Exchange with a market capitalisation of approximately A\$8.4 billion. Exxaro mines, extracts and processes a range of minerals and metals, including coal, mineral sands and base metals primarily in South Africa, Australia, Namibia, and China.

Exxaro has a 20% interest in the Sishen Iron Ore Company, which operates the Sishen and Thabazimbi mines in South Africa. The Sishen mine is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

About the Offer

The Offer provides you with a compelling opportunity to realise an exceptional cash value for your investment in Territory. There are a number of significant benefits to the Offer, including:

- A highly attractive premium for your Territory Shares:
 - 64% premium to the last traded price of Territory Shares on the ASX on 20 May 2011, being the last trading day 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.
- Exxaro Iron's 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, including risks associated with Territory's debt levels, relatively short mine life, iron ore pricing and currency fluctuations, offtake arrangements, the recent issues posed by unseasonably wet weather in the Northern Territory and other risks typically associated with an investment in a mining company.
- Territory's share price may fall if Exxaro Iron's Offer is not successful.

Territory's second largest shareholder, DCM DECOMetal GmbH, (**DCM**) has entered into a pre-bid acceptance agreement with Exxaro in relation to its 11.19% holding in Territory.

Furthermore, the Territory board of directors has carefully considered the Offer and the majority of the board supports and recommends the Offer as being in the best interests of Territory and its shareholders, in the absence of a Superior Proposal.

The Offer is subject to conditions which are set out in the Appendix and include a 60% minimum acceptance condition, no material adverse change in relation to Territory and no prescribed occurrences in relation to Territory.

Full details of the terms of the Offer can be found in the **Bidder's Statement**

Debt facility

Exxaro has agreed to provide, via FirstRand Bank Limited (acting through RMB) financing support to provide Territory up to US\$36 million in certain circumstances.

A summary of the key terms of the debt facility is set out in section 10.2.

Exxaro's intentions

If the Offer is successful, Exxaro believes that it has financial strength, operational and technical expertise and know-how to complement Territory's existing management to develop and optimise the value of Territory's mining and exploration assets.

Acceptance of the Offer

The Offer is scheduled to close at midnight on 4 July 2011 unless extended. To accept this Offer, please follow the instructions on the enclosed Acceptance Form. If you have any questions about the Offer, please contact the Exxaro Offer Information Line on 1800 129 431 (local call cost within Australia) or +61 2 8280 7731 (from outside Australia).

I strongly encourage you to ACCEPT this compelling Offer for the reasons set out in this Bidder's Statement, so that you receive a full and fair risk-free cash value for your investment in Territory.

Thank you for your consideration of the Offer.

Yours faithfully



Siphoniso Nkosi
Chief Executive Officer
Exxaro Resources Limited