

TERRA CAPITAL PLC

Millennium House
46 Athol Street
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To all Shareholders

Dear Shareholder

ANNUAL FINANCIAL REPORT AND ACCOUNTS ("ANNUAL REPORT") AND NOTICE OF THE 2013 ANNUAL GENERAL MEETING of TERRA CAPITAL PLC ("the Company").

We are pleased to enclose your copy of the Annual Report for the year ended 31 December 2012 together with Notice of the 2013 Annual General Meeting to be held on Monday 10 June 2013 at 10:00am at the registered offices of the Company, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB.

In addition to the Ordinary Business of the Annual General Meeting, the following Special Resolution will be put to the meeting:

That subject to the confirmation of the High Court of Justice of the Isle of Man, the amount standing to the credit of the share premium account of the Company be cancelled in accordance with section 56 of the Companies Act 1931 and Article 13 of the Company's Articles of Association, and that the sums arising from such cancellation be credited to the Company's distributable reserves.

If passed, subject to the confirmation of the High Court of Justice of the Isle of Man, the Company will be permitted to transfer the balance of \$62.3 million on the Share Premium Account to Distributable Reserves.

This is a technical transfer required for accounting and legal purposes and it is necessary in order to make available "distributable reserves" so that the board can operate the Discount Control Policy as set out in the circular to shareholders dated 30 April 2012 (The full circular is available on the Company's website at www.terracapitalplc.com). Specifically, the Discount Control Policy provides for the purchase of shares in the market for cash prices not exceeding the last reported net asset value per share, where the directors believe such purchases will result in a strengthening of the share price. It is also necessary to enable the directors to implement a tender offer, whereby, if, as at 31 December 2013, or as at any 31 December in any subsequent calendar year, the Company's ordinary shares have, on average over the last nine calendar months (the "discount calculation period"), traded at a discount in excess of 15 per cent. of the net asset value per share (calculated by reference to the published net asset value per share and to the middle market quotation of the ordinary shares on the aim appendix of the daily official list of the London Stock Exchange on the trading day immediately following the date of each publication of the net asset value per share in the relevant discount calculation period), the directors will, subject to any legal or regulatory requirements, implement a tender offer (the "tender offer") pursuant to which each long term shareholder shall be offered the opportunity to tender up to 10 per cent. of their ordinary shares at a price equal to 97 per cent. of the prevailing net asset value per share. A "long term shareholder" is a person who was a shareholder on 31 March during the discount calculation period in question.

The Board believes that the Resolutions to be put to the AGM are in the best interests of Shareholders as a whole and, accordingly, recommends that Shareholders vote in favour of the Resolutions.

Incorporated in the Isle of Man
Company No. 118202C

Registered Office
Millennium House
46 Athol Street
Douglas
Isle of Man, IM1 1JB

Directors
D. E.J. Van den Broeck (Belgian)
F. Montfort (Czech)
I. J. Dungate