



**TERRACOM LIMITED
CHAIRMAN'S ADDRESS TO
ANNUAL GENERAL MEETING
30 NOVEMBER 2015**

A. INTRODUCTION

Ladies and Gentlemen,

Good afternoon and welcome to the 2015 Annual General Meeting for TerraCom Limited.

Let me introduce myself - I am Craig Wallace, Chairman of TerraCom Limited and I will be chairing this meeting today.

As we have a quorum present, I declare the meeting open.

I propose that after making my preliminary comments and outlining some housekeeping matters for the conduct of this meeting, I will proceed with the more formal aspects of the meeting (as described in the Notice of Meeting you have all received).

It would be appreciated if you could please turn off your mobile phone now if you have not already done so as a courtesy to your fellow shareholders.

Before proceeding, let me introduce (*to my left / right*) my fellow directors:

- Mr. Mick Avery, managing director
- Mr David Stone, executive director

Other directors: Mr Philip Forrest (Singapore), Ms Hwee Fang Loo (Singapore) and Mr Tsgoo Tsogt (Mongolia) are on conference speaker.

Also in attendance are:

- Mr Mark Reynolds, CFO

- Mr Tony Mooney, company secretary
- the Company's auditors, EY, represented by partner, Ryan Fisk
- Also present is Lee Marshall, a representative of Link Market Services – TerraCom's share registrar.

We are all very pleased you have joined us today for the meeting. After the meeting has concluded, we hope that you will join us for informal discussions during which you will have an opportunity to ask your directors and management about any issues concerning the Company.

B. Update to Shareholders regarding the Company's business

I will now present an update regarding the company's business activities.

At the outset, may I recognise that this is the first AGM of the Company since it adopted its new brand: - TerraCom Limited. I'm excited about the change because we believe the move better reflects the strategic direction of the Company and its focus to transition to a dynamic energy and resources Company while maintaining a connection to our origins in Mongolia.

First and foremost, despite very tough market conditions for the global resource sector, TerraCom remains focused on delivering all aspects of the 2015 strategic review, on both corporate and operational levels in Mongolia and Queensland. Critical aspects of the strategy to establish the foundation for and enable the Company to ultimately deliver superior returns to shareholders have involved the focus on the following key areas:

1. Actions that restructure the balance sheet to reduce the Company's short term funding burden;
2. Operational expansion, improvements and project delivery in Mongolia; and
3. Options to grow through the acquisition of cash generating assets into the business.

Actions that Restructure the Balance Sheet to reduce the Company's Funding Burden;

Existing Finance Facilities

The Company continues to maintain a strong and supportive working relationship with its existing financial backers, Noble Group and OCP. The company has secured waivers and extensions until the end of the 2015 calendar year to provide it time to complete its debt restructuring, as follows:

- Noble Group has agreed to further defer all principal and interest payments across all of their debt facilities until the 31st December 2015 which is after the contemplated completion of the balance sheet restructure process; and
- OCP has agreed to defer all of their outstanding debt facility payments which were due at the end of October 2015 until the 31st December 2015 which is after the contemplated completion of the balance sheet restructure process. This deferral is not subject to any additional conditions or requirements from the Company beyond those approved by shareholders at the Extraordinary General Meeting (EGM) held on 30 October 2015.

Debt Restructure

The company is working on two options in parallel in its efforts to achieve the balance sheet recalibration by the end of the 2015 calendar year. Both options would provide stability and funding security to the company to enable it to successfully deliver its strategic objectives.

While the Company has made significant progress with this restructure, there can be no certainty that this will be completed and the Company will update the market appropriately.

Option 1 – Bond

One option being considered by the Company involves a US\$115 million five year interest-only bond. In general terms the bond contemplates:

- Semi-annual interest payments paid in arrears;
- A bullet repayment at the end of the term;
- An option to capitalise a pre-agreed portion of the interest payments; and
- A variable component of the interest payments linked to actual coal sales.

The structure contemplated will give the Company significantly greater flexibility to manage its cash flows going forward and enable implementation of the growth strategy.

The book of offers for the bond is currently being finalised and has resulted in a number of proposals which are under consideration by management. Noble and OCP have also indicated their willingness to participate in this process pending the agreement of terms

Option 2 - Traditional Debt Facility

The company is also working on a traditional debt facility which has progressed with in principle support from several banking institutions.

SPG Strategic Placement

As advised to the market on 19 October 2015, an EGM will be scheduled in the near future to enable shareholders to consider the strategic placement of AUD\$7M in the Company by SPG Holdings Ltd (SPG).

The Company has reached agreement with SPG, subject to the satisfaction of certain conditions set out below, to issue 583.3 million placement shares at an issue price of \$0.012. The Placement is conditional on:

- Shareholders approving the Placement for all purposes, including (without limitation) for the purposes of item 7 of section 611 of the Corporations Act;
- The issue of shares by the Company to the holders of Convertible Notes following the conversion of the Convertible Notes having occurred;
- The Company successfully completing the restructuring of its current debt on terms which are within specific parameters which have been agreed between the Company and SPG; and
- Other customary conditions, including Board approval and regulatory approvals.

The Company welcomes this strategic investment by SPG. The SPG undertook extensive due diligence, culminating in a physical inspection of the Company's BNU coking coal mine in Mongolia, which showcased the Company's ability to develop and operate a world-class mine in the South Gobi region and to produce a high quality hard coking coal product in close proximity to a large number of steel makers operating in northern China.

Whilst the Placement price of \$0.012 was at a discount to the Company's share price on 19 October 2015, it is the Board's view that this should be seen as a significant and strategic opportunity for the Company to secure a very large and well-connected Chinese group on the share register. This will support the expansion of coking coal operations in Mongolia and in particular, through the expansion

of the market for BNU hard coking coal in China and through removing costs from the supply chain to Chinese end users.

SPG is part of a group of companies controlled by Mr David Wang, the Honourable Chairman and board member of Greenland Hong Kong Holdings Limited (Greenland HK) which was formerly known as SPG Land (Holdings) Limited. This entity was listed on the Hong Kong Stock Exchange in October 2006 and was involved in real estate projects over ten cities in China. Mr Wang is the founder of SPG Land and was the chairman of this group, engaging in real estate development, property and hotel investment, and related business in China. SPG Land changed its name to Greenland HK in August 2013.

Mr Wang is also the Chairman of Peninsula Shanghai Hotel, one of the top luxury hotels in Asia. Mr Wang has over 20 years of experience in finance, construction, property development and investment. He graduated from South China University of Technology with a Bachelor degree in Building Materials and University of Technology, Sydney (Australia) with a Bachelor degree in Commerce and now holds an Australian Passport. Mr Wang enjoys a strong reputation and has considerable influence in the commercial, banking and real estate sectors in China and Australia, as well as academic circles.

In recent years, he has devoted his efforts to promote the friendly cooperation between China and Australia in economic, banking and academic areas. Mr. Wang has a deep understanding of real estate investment. Through Mr Wang's extensive business success he has created a strong network in China in the coal and steel sectors with both private and state owned entities.

Convertible Notes

Shareholders approved the issue of the Convertible Notes (CN) to OCP Asia at an Extraordinary General Meeting held on 30 December 2013 (2013 EGM) and they were issued on 8 January 2014. Pursuant to their original terms the CNs would have matured on 8 July 2015, however the CN Conditions were subsequently amended to move the maturity date to 8 December 2015. The Company has negotiated a further short extension to the CN maturity date to 31 December 2015 (together with some amendments to the conversion mechanics). This will better align the CNs with the Company's restructuring process and the intended forthcoming EGM anticipates that agreement will be reached quickly in respect of these matters.

The Company's current understanding with respect to the CNs is that they remain owned by their original investors, but prior to maturity they will be acquired by parties who subsequently intend to convert them. The Company is not aware of the details of that acquisition including whether formal agreements are currently in place. At this stage the Company has no information that would lead it

to believe that any regulatory approvals will be required for the issue of shares pursuant to the conversion of the CNs.

The Company will update shareholders as appropriate in respect of the maturity and conversion of the CNs when it has further information.

The Company notes that it is a condition precedent to the Placement by SPG that all Convertible Notes are converted and the issue of shares by the Company to the holders of Notes in respect of the conversion of the Convertible Notes has occurred. We remind shareholders that there is no certainty that the conditions to the Placement will be satisfied and that the Placement will occur. The Company will provide shareholders with updates in respect of the status of the conditions as appropriate.

Operational and Project Delivery 2015

The key achievements of the Company during 2015 are summarised as follows:

Commissioning of BNU Mine

During this past year and despite significantly adverse market conditions, a key achievement has been the commissioning of the Mongolian Baruun Noyon Uul (BNU) coking coal mine which has enabled the Company to transition from explorer to miner status. The Board plans to use this as a foundation for growth not only organically in Mongolia, but also through the potential acquisition of strong cash flow positive operating projects across the Asia Pacific.

Safety

In Mongolia, the Company has achieved an impressive safety record of one million man-hours and two years worked lost time incident (LTI) free at its BNU Mine. This is a result of its strong commitment to safety strategies and comprehensive processes and systems. This performance was officially recognised by the Mongolian Government, and the Company was granted an award in the spring of 2015.

Demonstrated high value in use product from BNU

Solid progress was made with branding of the BNU coking coal in northern China during the year. A total of four customers received commercial quantities of coal for evaluation and/or use in their coke oven blends. All end users have recognised the value of the low ash, low sulphur and premium coking properties of the BNU coal, positioning our coal in the premium price range for coking coals in the region.

The Company commissioned a high level benchmarking study of the BNU coal by recognised industry expert Mr Ross Brims which in summary found that the BNU coking coals have a significant value in use as a coke oven blend enhancing the mechanical performance of the resultant coke when used.

Demonstrated low cost producer

BNU Operations is delivering not only Mongolian productivity records but world class productivity from its mining fleet. Asset utilisation in Mongolia is higher than other major producing basins and TerraCom is delivering market leading utilisation. TerraCom has developed this capability systematically to ensure repeatable results during expansion and development of other TerraCom assets. Unit cost performance has reduced significantly since commencement of operations

Direct Sales from mine gate to End User from BNU

To ensure the value in use of the BNU coal is recognised and to maximise the value of sales the Company was successful with selling coal direct to end users. TerraCom secured offtake agreements with two separate end-users in China: Jiuquan Iron & Steel (Group) Co Ltd (JISCO) and Jiuquan Haohai Coal Chemical Co Ltd (Haohai), to sell coking coal produced at BNU. TerraCom has successfully sold and been paid for all coking coal mined since commissioning. Over the 2015 calendar year there has been ongoing downward pressure and decreases in sales price for Metallurgical Coal Globally including the BNU product, this is forecast to also continue into 2016.

Queensland Project Development

Volatility in the resource market, has now become the short-term norm, and this has presented economic and funding challenges for TerraCom in its role as an explorer in Queensland.

However, we have continued to focus on the development of an exploration program through these economic challenges. Although cost conservation on projects has restricted progress, the team has achieved a Mining Development Lease for the Springsure Queensland Project. Also approval has been granted by Queensland's Department of Natural Resources and Mines to consolidate the Hughenden and Pentland projects into the Northern Galilee Project.

Our exploration strategy has focused on progressing the Springsure Project and discussions with potential joint venture or offtake partners to self-fund projects through the development phase into operating mines. Both the Northern Galilee Project and the Springsure Project have large proven resources with access to existing coal logistics infrastructure that could connect them to the market.

Outlook

The BNU coking coal mine operating asset in the South Gobi region continues with the implementation of the Life of Mine Plan (LOMP). The operation is continuing to deliver a superior metallurgical coal product to end users in China. However as the volumes have increased on a month to month basis the operation has encountered variances to plan in the third party washing capacity and capability, there has also been variations with 'in-pit' reconciliation. The volume increases have also placed stress on the third party road transport capabilities that has led to variances to plan over the past month. Actions are constantly being implemented to optimise to 'pit to end user' supply chain.

The current global market headwinds coupled with the operational and supply chain inputs from BNU are continuously being assessed, this may alter the current short term implementation plan as we ensure the optimisation of the company's financial position.

Options to Grow through the Acquisition of Cash Generating Assets into the Business

As per the strategic direction of the Company, a number of cash producing operating assets have been identified as potential additions to the Company's portfolio to support the BNU coking coal mine in Mongolia. These opportunities will be carefully considered by management and market announcements will be made where appropriate.

To conclude, the Board's goal is to transition the Company over the next 12 months, to a dynamic mid-tier, globally diverse resource and energy mining Company which ultimately generates strong positive cash flows.

Remuneration Report

Turning now to the Remuneration Report which was included in our 2015 Annual Report, I point out that at the 2014 Annual General Meeting, more than 25% of shareholders voted against the remuneration report prepared as part of the Annual Report. In other words, the Company received a 'First Strike' against the 2014 remuneration report.

The Company took this result very seriously and our response to the 'First Strike' is as follows:

- Mr Michael Avery was appointed group managing director in December, 2014;
- A comprehensive strategic review of the Company, its Board and management team was undertaken in early 2015. A number of changes were made to the Board:
 - Two new independent directors in Mr Philip Forrest and Ms Hwee Fang Loo were appointed,
 - Mr Dave Stone was appointed as an executive director to bring extensive coal mining operational experience to the Company
 - And I accepted the role as chairman;
- There has been no increase to base remuneration in 2014 for directors or key management personnel;
- The Company has suspended implementation of its proposed short-term and long term incentive schemes; and
- Overheads have been significantly reduced during 2015 due in part to a reduction in Australian-based staff numbers and the closure of the Brisbane corporate office.

The Board strongly believes these outcomes to be an appropriate response to the First Strike while still retaining a highly capable and flexible management team that can respond to opportunities and continue the transition of the Company from explorer to miner.

Finally, I advise that the recommendations in relation to each of the 8 resolutions being considered at this AGM, except for their own election, have been unanimously supported by the directors of the Company I will now move on to the formal part of the meeting.



ANNUAL GENERAL MEETING
Monday, 30 November, 2015

As required by section 251AA(2) of the Corporations Act 2001 (Commonwealth) the following statistics are provided in respect of each resolution on the agenda.

Resolution	Manner in which the securityholder directed the proxy vote (as at proxy close):				Manner in which votes were cast in person or by proxy on a poll (where applicable)		
	Votes <i>For</i>	Votes <i>Against</i>	Votes <i>Discretionary</i>	Votes <i>Abstain</i>	<i>For</i>	<i>Against</i>	<i>Abstain **</i>
1 REMUNERATION REPORT	520,217,098	179,930,872	1,095,503	278,358	521,312,601	179,930,872	278,358
2 ELECTION OF MICHAEL AVERY APPOINTED SINCE LAST AGM	508,788,719	176,382,849	1,097,203	15,253,060	509,913,268	176,382,849	15,253,060
3 ELECTION OF CRAIG WALLACE APPOINTED SINCE LAST AGM	523,645,236	174,416,177	1,097,203	2,363,215	524,769,785	174,416,177	2,363,215
4 ELECTION OF LOO HWEE FANG APPOINTED SINCE LAST AGM	523,618,508	174,423,875	1,097,203	2,382,245	524,743,057	174,423,875	2,382,245
5 ELECTION OF PHILIP FORREST APPOINTED SINCE LAST AGM	523,653,236	174,401,147	1,097,203	2,370,245	524,777,785	174,401,147	2,370,245
6 ELECTION OF DAVID STONE APPOINTED SINCE LAST AGM	523,653,236	174,394,819	1,097,203	2,376,573	524,777,785	174,394,819	2,376,573
7 APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY	522,510,412	175,648,916	1,095,503	2,267,000	523,633,261	175,648,916	2,267,000
8 SPILL RESOLUTION	251,827,888	447,821,884	679,961	0	251,827,888	448,529,191	0

** - Note that votes relating to a person who abstains on an item are not counted in determining whether or not the required majority of votes were cast for or against that item