



TerraCom Limited
34 Hewitts Avenue
Thirroul, New South Wales, 2515
Australia
+61 2 4268 6258
ABN: 35 143 533 537
www.terracomresources.com

3rd February 2016

ASX Announcement

Debt Restructuring

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to announce significant progress towards the restructuring of its balance sheet and the continued implementation of its previously communicated Strategic Plan.

Following extensive negotiations with its lenders over the past few weeks, TerraCom has successfully achieved the following:

- Reached agreement with its existing note holders (represented by OCP Asia) to invest in a new 5-year interest-only bond with no cash payments due until 23 December 2016 (the **Bond**) that will replace their existing notes. This will have a significant impact on the Company's free cash flow and will give it much greater operational headroom and flexibility compared to previous notes which were principal and interest.
- Secured a new loan of USD\$5 million from its existing note holders, which will replace the previously envisaged AUD\$7 million equity placement to SPG Investment Holdings Ltd (SPG). This not only provides the Company with important additional working capital, but also avoids the shareholder dilution that would have occurred had the placement to SPG gone ahead. The additional loan has been made available immediately on a short-term basis and will ultimately form part of the Bond described above.
- Received conversion notices from holders of 50% of its Convertible Notes (i.e. representing US\$5 million) and issued corresponding shares to the converting parties on 29 January 2016. This reduces the Company's total debt by USD\$5 million and demonstrates the support of the new shareholders for the Company at this stage in its development.
- Received confirmation from the holders of the remaining USD\$5 million of Convertible Notes that the conversion date has been extended to 28 February 2016, before which time the Company understands these will be incorporated into the new Bond described above. This will not only extend the term of this debt, but will also eliminate the prospect of further shareholder dilution from the conversion of these instruments.

In parallel to the financial restructuring, TerraCom continues to implement its stated growth and development strategy and has successfully transitioned from being an explorer to a coal producer despite the challenging global commodities market through the establishment of the BNU hard coking coal brand in China with the ongoing support of marketing partner and supply chain logistics provider the Noble Group. The Company is currently working to re-calibrate and optimise its supply chain in Mongolia, which it believes will lead to substantial improvements in its cash margins and profitability. The benefits of this work are expected to be realised within the first half of 2016 where the company will transition to processing coal on site with significant savings in VAT and transport costs along with improved yield and product quality control.

Potential Listing on Asian Stock Exchange (Dual or Sole)

TerraCom continues to actively investigate the merits and mechanisms for a potential listing (dual and/or sole) on Asian stock exchange (**Potential Listing**). This was a crucial recommendation flowing from the strategic review of the Company completed in the 2015 strategic review process, which is strongly supported by the Company's financiers.

Shareholders are advised that there is no certainty or assurance as at the date of this announcement that the Potential Listing will proceed or be completed. The Company will make the necessary announcements when there are further developments in relation to the Potential Listing.

Business Development

In order to support the growth and expansion of the Company and to de-risk from single mine and single country operator TerraCom continues to evaluate cash generative assets for potential acquisition.

The Company is currently considering a strategic opportunity in Queensland Australia to acquire a mature mining operation which is currently on care and maintenance.

The Company is nearing completion of its desktop due diligence on a hard coking coal mining operation in Indonesia. The mine's production licence has a 12 year remaining life and is located in close proximity to road, barge and port infrastructure which connects into the seaborne coal market. The mine has a capability of delivering 500,000 tonnes per annum of hard coking coal.

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TerraCom has fully commissioned the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia. The Company's goal is to become one of the largest and highest quality coking coal producers in Mongolia, providing exceptional value for its steel-producing customers. TerraCom is also focused on developing two priority projects in Queensland, Australia: the large thermal coal Northern Galilee Project and the high energy prime thermal coal Springsure Project.

Please contact Nathan Boom, on +61 2 4268 6258 or at info@terraconomresources.com for further information.

A handwritten signature in blue ink, appearing to read 'Craig Wallace', enclosed within a blue oval shape.

Craig Wallace
Chairman