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16th May 2016

ASX Announcement

Completion of Debt Restructuring

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

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

5-Year Interest Only Bond

TerraCom has entered into binding agreement to issue a 5-year **interest only** bond with a face value of US\$130 million. This amount now includes all secured debt including the US\$ 41 million of working capital facilities that were previously extended until 23 December 2016 (as announced on 10 February 2016), thus removing any uncertainty related to these facilities.

The bond will be traded on Euroclear, will pay interest in arrears on both a fixed and variable basis, and have the option of **50% PIK flexibility** at the discretion of the Company. The binding agreement provides that all long-form documentation needs to be agreed by mid-June 2016. Work on the long-form documentation has already begun and the Company believes this date is achievable.

Positive Impact on Cashflow and Balance Sheet

The issuance of the new bond will have a significant positive impact on the Company's free cash flow over the next 5 years, giving it much greater operational headroom and flexibility compared to the previous debt facilities.

Further, as part of the refinancing, the equivalent AU\$149.8 million that was recorded as current borrowings in the 31 December 2015 half year financial statements will be moved to non-current liabilities once long form documentation is executed by all parties. Therefore, the net working capital position of the Company improves by equivalent AU\$149.8 million.

As part of the restructure, the financiers have agreed (subject to execution of restructure documentation) to irrevocably waive US\$21 million (equivalent AU\$ 28.8 million) in interest and deferral fees accrued but not yet paid. This transaction will increase the net asset position of TerraCom by equivalent AU\$ 28.8 million.

Additional Working Capital Funding

The company has also secured additional funding of US\$ 3.1 million to enable it to complete the implementation of the new supply chain at BNU in Mongolia and provide the foundation to recommence mining and ramp up production at BNU in Mongolia to an annualised rate of 1.5 mtpa.

Other Company Updates

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@terracomresources.com for further information.

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

**Craig Wallace
Chairman**