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## **ASX Announcement**

### **Completion of Debt Restructuring**

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to announce the completion of a significant milestone in the restructuring of its balance sheet with the execution of long-form documentation for the 5 Year Interest Only Bond (Bond) as part of the continued implementation of its Strategic Plan.

As advised to the market on the 16<sup>th</sup> May 2016, TerraCom had entered into a binding agreement with financiers on the 5 Year Interest Only Bond which required long-form documentation to be agreed by mid-June 2016.

#### **5-Year Interest Only Bond**

TerraCom has now completed the long form documents and before the end of June 2016 will issue the 5-year interest only bond with a face value of US\$129 million, and an additional secured note for US\$12 million with repayment linked to the Company's free cash flow. These amounts include all secured debt in the Company thus removing any uncertainty related to these facilities.

The Bond will be traded on Euroclear and will pay interest semi-annually in arrears (except the first payment, which will be made after 12 months) with a fixed component of 12.5% p.a. and a variable component linked to revenues. Further, the Company shall have the option, at its discretion, to capitalise 50% of each fixed interest payment to assist with cash flow management.

#### **No Shareholder Dilution – Outstanding Convertible Notes**

The outstanding US\$5 million convertible note facility has been rolled into the Bond. This is positive for shareholders as it removes the substantial shareholder dilution had this facility been converted from debt to equity.

Had the convertible note been converted to equity, approximately 1.1 billion shares would have been issued – based on a conversion price of AU\$0.006 per share and AUD:USD 0.74. The 1.1 billion shares would have represented a 48% increase in the number of ordinary shares on issue.

## **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.

The equivalent AU\$136.0 million that was recorded as current borrowings in the 31 December 2015 half year financial statements will be moved to non-current liabilities. Therefore, the net working capital position of the Company improves by the equivalent of AU\$136.0 million.

The financiers have agreed to irrevocably waive US\$27.0 million (equivalent AU\$36.5 million) in interest and deferral fees accrued but not yet paid. This transaction will increase the net asset position of TerraCom by the equivalent of AU\$ 36.5 million.

## **Other Company Developments**

### *Mongolian Coking Coal Update*

The Company is continuing with the implementation of the new supply chain at BNU in Mongolia which will provide the foundation to recommence mining and ramp up production to an annualised rate of 1.5 mtpa.

### *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 in the final stages of negotiations on a strategic opportunity in Queensland Australia to acquire a mature mining operation which is currently on care and maintenance.

The Company continues with due diligence on the potential acquisition of 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.

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**Mick Avery  
Managing Director**