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ASX Announcement

TerraCom Refutes Claims

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is correcting inaccurate, and ill-informed representations made by Lock the Gate and the Institute for Energy Economics and Financial Analysis relating to the potential acquisition of the Blair Athol Mine in Queensland by TerraCom. The claims seek to undermine public confidence in TerraCom and its development plans.

TerraCom Overview

TerraCom is a public company listed on the ASX for 6 years and has over 1,800 shareholders. The Company has fully commissioned the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia which exports high quality coking coal to neighbouring China. The Company's goal in Mongolia is to become a large and high quality coking coal producer in Mongolia that provides exceptional value for its steel-producing customers in China.

For 6 years TerraCom has been 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.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. In this regard, the Company recently announced that it had entered into an agreement to acquire the Blair Athol Coal Mine in Queensland, Australia from the Blair Athol Joint Venture. It is the aim of TerraCom to commence production in 4th quarter 2016.

The Company is also evaluating the acquisition of a hard coking coal mine in Kalimantan, Indonesia. This is a 500,000tpa operation located in close proximity to road, barge and port infrastructure connecting it to the seaborne coal market.

TerraCom is well positioned to become a large Australian independent mining company operating in three countries with further potential for expansion within these countries.

TerraCom Capabilities

TerraCom employees people in Australia and Mongolia. Our Offices are not luxurious but are clean, efficient and cost effective due to the Company responsibly minimising overheads during this slow market cycle.

The Corporate Office is located less than 60 minutes south of Sydney, in Thirroul, and with tenements in Northern Queensland, we have employees working across both New South Wales and Queensland.



Above: Staff at our corporate "fibro shack" in Thirroul



Above: North Queensland tenement field work.

At our Mongolian operations, work life is varied from our camp site and our work at our pit locations, to our office in Ulaanbaatar. Following are images from our Mongolian operations.



Above: Inside our site Offices at BNU; Corporate office in Ulaanbaatar; Camp Site Ger Accommodation at BNU Mine.



Above: BNU Office and Camp; BNU Stockpile; and Coal trucks hauling coking coal from BNU to the Chinese border.



Above: At the coal face; Some friends at BNU site; Employees at our Ulaanbaatar offices.

TerraCom Capability and Experience

TerraCom has an experienced team of professionals with a strong understanding of mining and many years of experience in the coal sector.

The Senior Executive Team alone has in excess of 150 years' experience in the Mining sector managing and operating large coal mines in Australia and around the world. The Team has an excellent track record in all phases and aspects of mine development including rehabilitation and environmental management.

The Company has and will always operate responsibly to ensure that it provides value for shareholders and adds to the Queensland and Australian economies through the creation of jobs, taxes and mineral royalties.

TerraCom has a strong track record of supporting the communities in which we operate especially across Queensland and Mongolia. From major sponsorships for sporting teams like the North Queensland Cowboys, to funding recovery efforts in communities impacted by flooding in central and south east Queensland, TerraCom has built a reputation as a good corporate citizen.

The Company takes its environmental responsibilities very seriously and will meet all the requirements as determined by the Queensland Government through its various departments. This is especially important because TerraCom wants to be a long term miner in Queensland.

TerraCom's Plans for Blair Athol Mine

Upon completion of the potential acquisition of Blair Athol Mine and the successful transfer of mining title, TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. Coal mining is being scheduled around a rate of 2Mtpa with a target of operations recommencing in the 4th Quarter 2016.

TerraCom plans to use best practice community and stakeholder engagement through the establishment of a Community Consultative Committee which will have representatives from all key stakeholders groups.

The Company plans to build a strong relationship with the local indigenous groups through implementation of a Cultural and Heritage Management Plan.

TerraCom strongly believes in supporting the local community and plans to employ as far as practicable local skilled people. There are no plans to use fly-in fly-out.

TerraCom plans to establish its Australian Corporate Office in Clermont/Blair Athol when the sale transaction completes.

Blair Athol Acquisition presents Significant Benefits to all Stakeholders

Blair Athol is a viable and solid investment. It's reopening represents great news for the local community, but also the State in terms of taxes and royalties on a high quality thermal coal resource which is clean and low on impurities that is attractive to buyers, but that otherwise may remain in the ground.

The viability of the investment is linked to the quality of the assets acquired, the industry cost base settling lower and the weaker dollar providing some revenue benefits. Underpinning this is of course the significant contribution to rehabilitation that the current owners have provided through Financial Assurance which will be held in an Escrow Account in favour of the Queensland Government.

An independent miner like TerraCom operating a smaller scale operation with lower cost structures – even at current coal prices – would be able to mine the last remaining coal at a profitable level.

TerraCom has the technical capability to successfully operate and rehabilitate the Blair Athol mine. It has an executive team with demonstrated capacity and long term experience in operating complex coal mining operations both in Queensland and in other environments globally. This proposal, if approved will, bring the following benefits:

- Progressive rehabilitation of one of Queensland's oldest coal mines.
- The resumption of coal mining and export sales from the Blair Athol Coal mine providing the local, state and federal economies with increased economic activity in the form of:
 - Estimated over 100 local people will be engaged at the operation with a focus on regional employment;
 - Local Government rates and charges - Isaac Regional Council;
 - State and federal tax revenues;
 - Significant royalties;
 - Boost to local suppliers and contractors; and
 - Local population boost.

Financial Stability of TerraCom to Deliver

TerraCom has the financial capability to operate the mine and deliver its many expected benefits to the community and to Government. The Company has the strong backing from its financiers to enable the Blair Athol mine to successfully reopen.

TerraCom has recently refinanced its financing facilities, which included issuing a 5 year interest only Bond being traded on Euroclear. The refinance included all secured debt in the Company thus removing any uncertainty related to these facilities.

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 the ability to use operating cash flows to invest in value accretive growth projects. Further, 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 – and therefore improving the net working capital position by the equivalent amount.

The Company's financiers fully subscribed to the refinance package. This unprecedented support demonstrates the financiers:

- Are fully supportive of TerraCom's business plan and its prosperous future;
- Believe in the credibility of TerraCom to deliver the business plan; and
- Have assessed that TerraCom has financial credibility and strength.

The historic losses of the Company are typical of an exploration and mining company going through a development phase. Debt and equity raised is linked to investment in the construction of the Hard Coking Coal mine in Mongolia and the investment in exploration of tenements in Queensland to define coal geology and assess feasibility of developing these resources. The Projects are being developed to deliver long term positive cash flow but need capital initially to explore, define, evaluate, design and construct.

TerraCom is an ASX listed public company which has its financial statements independently audited on an annual basis and reviewed on a 6 monthly basis. The Company is open and transparent and all of the Company's detailed financials are disclosed and available publicly via the Company's website and the ASX.

Financial Assurance for BA is Sufficient

The Queensland Government completed a full assessment of the rehabilitation liability in November 2015. This is the basis for the \$80m Financial Assurance.

TerraCom will provide \$80m cash to be held in a bank account nominated and controlled by the State of Queensland to cover environmental rehabilitation commitments. This Financial Assurance is not a bank guarantee but real money in a bank account that is controlled by the State Government.

The State Government has provided that assurance through its recently enacted Chain of Responsibility Legislation. These new laws properly hold organisations to account for their rehabilitation and environmental responsibilities, and it protects the public interest.

TerraCom will meet all of its obligations in relation to the conditions of operation for the mine as part of the State Government approval process. The Company will pro-actively work with the Government and stakeholders on agreeing the final land use and closure plan for the BA mine site as soon as possible.

Unqualified and ill-informed individuals have speculated that the cost to rehabilitate the Blair Athol site could be double the current Financial Assurance. TerraCom would like to point out the following facts in relation to the evolution of Blair Athol rehabilitation estimates including:

- Prior to 2014 rehabilitation cost estimates were prepared as a single project for 2 mining leases – ML 1804 and ML 1881 – which operated under a single environmental authority (EA);
- In 2014, ML 1881 was sold to the Clermont JV, along with coal handling infrastructure and the rehabilitation obligations for that lease. The DEHP have since issued separate EA's to each ML owner and each provide FA's to the State;
- The \$80m FA is only for ML1804;
- Over the last 3-4 years there have been very significant cost reductions achieved throughout the industry which flows onto rehabilitation earthworks costs due to reductions in fuel, labour, supplies, capital hire and consumables; and
- Further efficiencies to be realised from of an integrated rehabilitation / mining model versus a standalone rehabilitation task previously contemplated by the BAJV

TerraCom believes in keeping its shareholders and the market fully informed and that it was necessary to ensure that inaccurate information being portrayed about the Company and its plans was corrected.

Please contact Tony Mooney, on +61 2 4268 6258 or at info@terracomresources.com for further information.



Cameron McRae
Executive Chairman