



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

4th July 2016

ASX Announcement

TerraCom to acquire the Blair Athol Coal Mine

TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to announce that its wholly owned subsidiary Orion Mining Pty Ltd, has reached agreement to acquire the Blair Athol Coal Mine (mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV) subject to certain conditions precedent as outlined below.

The acquisition price is **AUD\$1** and TerraCom will receive AUD\$80m from the BACJV (vendor) to meet Blair Athol Coal Mine's rehabilitation liability as determined by Queensland's Department of Environment Heritage Protection in November 2015. The Financial Assurance will be provided as cash to be held in a bank account approved and controlled by the Queensland Department of Natural Resources and Mines.

The security package that backs the Financial Assurance is in place, and will be reviewed and approved by government. The final execution of a binding sale and purchase agreement requires approvals from the TerraCom Board, and each BACJV participant. The Company plans to submit an application for the transfer of the Mining Lease for the consideration of the Minister for Natural Resources and Mines.

The acquisition includes the mining lease, licences, land, contracts and all mining plant & equipment including a dragline to deliver the forecast production schedule and the progressive rehabilitation. All site infrastructure including offices, workshops and stores associated with the mine are also included in the transaction.

The Blair Athol Coal Mine ceased production under its current management in late 2012 and has been maintained in good condition. TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. Production is being scheduled around a rate of 2Mtpa of coal with a target of operations recommencing in the 4th Quarter 2016

This acquisition, when completed, is a significant milestone for TerraCom, bringing 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 will provide 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.
- The recommencement of mining at Blair Athol Coal mine is forecast to deliver TerraCom positive cash flow through a low overhead structure and operational efficiencies.
 - This acquisition combined with the Companies recent debt restructuring and its hard coking coal mine in Mongolia will transform the TerraCom balance sheet with a materially positive impact on net assets.
 - Provides TerraCom with comprehensive mine facilities and an established mining operation as a regional hub in Queensland to support expansion plans.

ABOUT TERRACOM – www.terraresources.com

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.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. The Company is evaluating the 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.

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



Cameron McRae
Chairman