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ASX Announcement

TerraCom and Blair Athol Coal Joint Venture Partners Execute Sale and Purchase Agreement

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to announce that its wholly owned subsidiary Orion Mining Pty Ltd, has executed a binding Sale and Purchase Agreement to acquire the Blair Athol Coal Mine (mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV) under the terms as previously disclosed and subject to Queensland Government approval and certain other conditions precedent.

At completion of the acquisition TerraCom will receive AUD\$80m from the BACJV 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 Government.

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

TerraCom plans to initially commence over 50 hectares of the site rehabilitation it has assumed, 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 of Blair Athol Mine 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 providing the local, state and federal economies with increased economic activity, employment, royalties and taxation.
- Forecast positive cash flow through a low overhead structure and operational efficiencies.

This acquisition is another positive step forward for TerraCom. Combined with the Company's recent debt restructuring and equity raisings, and the commissioning of its hard coking coal mine in Mongolia, this transaction will transform the TerraCom balance sheet with a materially positive impact on net assets.

The Blair Athol assets provide TerraCom with comprehensive mine facilities and an established mining operation which can act as a regional hub in Queensland to support expansion plans.

TerraCom has begun working positively in the Isaac Regional Council region with the establishment of a Community Consultative Committee which held its inaugural meeting in Clermont recently.

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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.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. In this regard, the Company has now announced that it has executed the Sale and Purchase Agreement to acquire the Blair Athol Coal Mine in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in 2016. The Company is also evaluating the acquisition of a hard coking coal mine in Kalimantan, Indonesia, a 500,000 tpa operation located in close proximity to road, barge and port infrastructure connecting it to the seaborne coal market.

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



Cameron McRae
Executive Chairman