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## **ASX Announcement**

### **Long Form Offtake Agreement Signed for BNU**

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) through its Mongolian subsidiary (**Terra**) is pleased to announce that it has executed binding long form definitive agreements with a wholly owned subsidiary of the **Kingho Group**, one of the largest private coal companies in China, for a **5.5 year** offtake of hard coking coal (HCC) produced from the **BNU Coal Mine** in the South Gobi in Mongolia.

The agreement is for a total of approximately **7.5 million tonnes** over the term and has pricing linked to a commercially in confidence minegate pricing structure that reflects the seaborne market. Payment terms are USD in the form of **100% Irrevocable Letter of Credit** issued by a first class international bank. The Kingho Group will primarily use the BNU coal for their internal consumption at their coke plants.

The major positives to be taken from this agreement are:

- Confirmation of the strong BNU coal brand in China and recognition of the value-in-use of this coal when compared to other HCC available in southern Mongolia and northern China
- The point of sale for the coal will be at BNU minegate. This removes Terra from the requirement to be involved in management of the supply chain in Mongolia and northern China and allows Terra to focus on its core competency of mining, whilst its partner Kingho, which is one of the largest transporters and users of coal in northern China focuses on delivery to end users
- The commercial terms of this definitive long form agreement essentially underwrites a profitable Mongolian business unit allowing the Company to recommence operations at BNU in Mongolia delivering the cash margins as previously advised to the market and establishing a platform for further expansion and growth

#### **ABOUT KINGHO**

Inner Mongolia Kingho Group is a wholly subsidiary of China Kingho Group, which was formed in 1996 and is one of largest privately held mining and energy companies in China. Over recent years, China Kingho Group has developed significant expertise in resources development, coal

washing, coal chemical, fine chemicals, clean energy, coal gasification and logistics.

Since founded in 2000, Inner Mongolia Kingho Group has imported more than 26 million tonnes of raw coal from Mongolia and has the capacity to wash 8 mtpa of coal, produce 4 mtpa of coke, produce 400,000 tpa of methanol from coke oven off-gas and produce 200 million coal ash bricks. The parent company, China Kingho Group produces 15 mtpa of coal, processes 12 mtpa of coal and produces 9 mtpa of coke.

**ABOUT TERRACOM – [www.terraconomresources.com](http://www.terraconomresources.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. In this regard, the Company has announced that it has reached agreement to acquire the Blair Athol Coal Mine (BA) in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in 2016.

The combination of BNU HCC Mine and the Blair Athol Thermal Coal Mine positions TerraCom well to capitalise on the strong coal coking and thermal coal markets through recommencement of operations at both BNU Mine and BA Mine by the end of 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.

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**Cameron McRae**  
Executive Chairman