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20th February 2017

ASX Announcement

TerraCom Receives Indicative Approval – Blair Athol Mine

TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to announce that its wholly owned and operated subsidiary, Orion Mining Pty Limited, has received formal indicative approval from the Queensland Government Department of Natural Resources and Mines (DNRM) for the transfer of the mining lease for the Blair Athol Coal Mine, Central Queensland.

The approval is subject to certain conditions in line with previous announcements. TerraCom has advised the Queensland Government that it can meet the conditions, which the TerraCom Board does not believe are onerous. TerraCom is expediting the satisfaction of these conditions to enable completion of title transfer and commencement of mining and rehabilitation activities at Blair Athol Mine within this first quarter.

The combination of TerraCom's producing BNU HCC Mine and the Blair Athol Mine will see TerraCom capitalise on the strong coal coking and thermal coal markets. It builds on TerraCom's near term strategy of establishing 3 strong operating and revenue generating businesses with each business acting as a regional hub for further growth into the seaborne traded markets.

Please see attached Annexure which contains the DNRM Indicative Approval.

ABOUT BLAIR ATHOL

At completion Blair Athol will be acquired for AUD\$1 and the Queensland Government will receive AUD\$79.6m from the Blair Athol Coal Joint Venture (BACJV) to meet Blair Athol Coal Mine's rehabilitation (which will form part of TerraCom's financial assurance quantum of AUD\$93.1m). The acquisition includes the mining lease, related licenses, land, site infrastructure, active contracts and all mining plant & equipment, including a dragline, to deliver TerraCom's forecast production schedule and the progressive rehabilitation.

TerraCom will relocate its Corporate Office to Clermont utilising the modern office facilities included as part of the acquisition.

The acquisition of the Blair Athol Coal Mine will be 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; and
- Forecast positive cash flow through a low overhead structure and operational efficiencies.

TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. The operation, under TerraCom management, is planned to deliver approx. 2Mtpa over 7 years¹ and ongoing progressive rehabilitation with a target of operations recommencing in the 1st quarter of 2017.

1- This information was originally announced to the ASX on 7 November 2016 in the announcement titled, "Blair Athol Mine Life Extension". The announcement is located <http://terracomresources.com/investors/asx-announcements/>

TerraCom is not aware of any new information or data that materially affects the information included in the above information in relation to the Production Target and confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

ABOUT TERRACOM – www.terracomresources.com

TerraCom has fully commissioned the Baruun Noyon Uul (BNU) hard coking coal mine in the South Gobi of Mongolia. Export shipments under a 5.5 year offtake agreement have commenced on schedule. 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.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. The approval for transfer of the BA mining lease is progressing through the final steps of the Government of Queensland process.

The Company is 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.

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.

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



Cameron McRae
Executive Chairman



Craig Wallace
Deputy Chairman

Transfer indicative approval

20 February 2017

MMOL activity reference: 189787

Hetherington Exploration & Mining Title Services (Qld) Pty Ltd
Queensland Coal Pty Limited
PO Box 49
Spring Hill LPO
SPRING HILL QLD 4004

Orion Mining Pty Ltd
34 Hewitts Ave
PO Box 548
THIRROUL NSW 2515

Dear Sir/Madam

We are pleased to advise that pursuant to section 318AAV of the Mineral Resources Act 1989 indicative approval to transfer mining lease number 1804 is given subject to the attached conditions.

Transferor (current holder): Queensland Coal Pty Limited (57.195%), Leichhardt Coal Pty Limited (31.416%), J-Power Australia Pty Ltd (7.9723%) and JCD Australia Pty Ltd (3.4167%)

Proposed transferee Orion Mining Pty Ltd (100 %)

Indicative approval date: 20 February 2017

Indicative approval conditions: See attachment – Conditions

What do I need to do now?

- Gather your assessable transfer documentation
- Address any additional requirements listed in the indicative approval conditions.
- Ensure the Office of State Revenue has assessed your transfer application for stamp duty
- Continue to comply with the conditions subject to your permit
- Start completing your assessable transfer application online using MyMinesOnline or complete the paper application form.
- Submit your assessable transfer application three (3) months from the indicative approval date.

Where do I find more information?

There are a range of useful resources and support materials available to assist you from our website www.business.qld.gov.au/industry/mining. You can also download guidelines and policies on your resource permit obligations, land access and native title as it applies to mining and exploration activities.

If you have questions about this letter, or specific detail relating to the above permit please contact Peter Donaghy, Director - Coal and Small Scale Mining on 4936 0132.

If you would like to receive future reminders via email, or need help desk services, please register with MyMinesOnline via the website or email mines_online@dnrm.qld.gov.au.

Regards

Mining and Petroleum Operations
Department of Natural Resources and Mines

ATTACHMENT

CONDITIONS – ML 1804

1. Orion Mining Pty Ltd (Orion) to provide the Department of Natural Resources and Mines (department) evidence demonstrating, to the reasonable satisfaction of the delegate of the Minister responsible for deciding the application for indicative approval of an assessable transfer of mining lease (ML) 1804, that Orion has in place arrangements for:
 - (a) guaranteed access to coal handling and preparation plant for crush and wash of product coal during the remainder of the term of ML 1804;
 - (b) guaranteed rail loading of product coal and transportation to market for the remainder of the term of ML 1804; and
 - (c) a secure supply of water to ML 1804 for the remainder of the term of ML 1804.
2. Orion to give the department a bank guarantee from an authorised deposit-taking institution within the meaning of the *Banking Act 1959* (Cth) in favour of the State of Queensland for the sum of AUD \$13 500 000.

The bank guarantee will be returned to Orion when Orion gives the Department of Environment and Heritage Protection the financial assurance required to be paid by Orion under the *Environmental Protection Act 1994* if Orion becomes the holder of EPML00876713.