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ASX Announcement

Mongolia Business Unit Activities Update

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to provide an update on the continued positive progress made within its Mongolia Business Unit.

2 Million man-hours worked Lost Time Injury free

TerraCom is pleased to announce that the Baruun Noyon Uul (BNU) coking coal mine in Mongolia reached the significant milestone of 2,000,000 man-hours worked consecutively without Lost Time Injury. It remains that not a single Lost Time Injury has occurred to employee, contractor or visitor of the project since commencement of operations.

This achievement is testament to the commitment that the Company maintains to the health and safety of its employees and contractors, and to the effort and behaviour of past and present management and employees. This milestone is particularly significant in consideration of the remoteness of the project, the high proportion of inexperienced and locally recruited workforce, and the rapid ramp up of operation in 2017.

Commencement of Pit 3

New ground has just been broken at BNU coking coal mine, with commencement of the boxcut development for Pit 3. This new pit is being developed to the northwest of the original Pit 1, targeting shallow coal at outcrop along strike from both Pit 1 and Pit 2 as part of the development of the 50km of projected coal basin edge held under licence in the South Gobi Project.

The first fresh coking coal from Pit 3 is expected to be mined from below the base of weathering in early June. Thermal coal from above the base of weather has already been encountered at shallow depths above the base of weathering and will be exported in May and June.

Quality of coking coal scheduled to be mined from Pit 3 is expected to be similar to that of the coking coal already mined from Pit 1 and Pit 2. The coking coal mined from Pit 3 will be delivered to the Kingho Group, one of the largest private coal companies in China, with whom TerraCom have a 5.5 year offtake agreement.

Development of Pit 3 is an important step in executing the Company's multi-pit strategy and is being developed concurrent with continued production from Pit 2. The multi-pit strategy provides

for improved product quality control, more balanced unit costs and underpins the expansion of production from the mine complex.



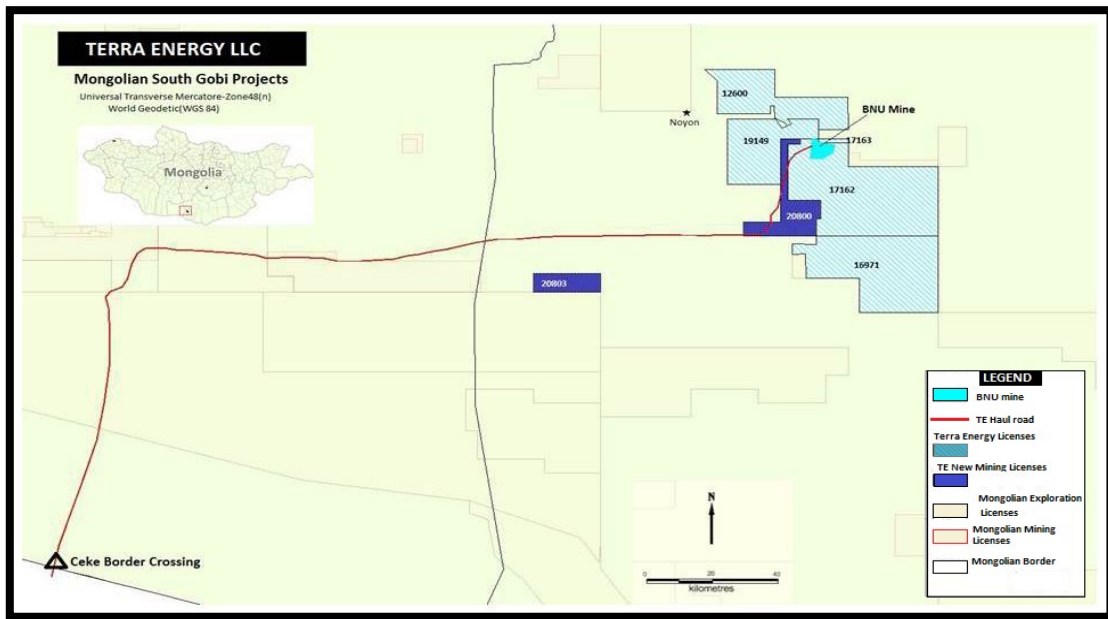
Images: Commencement of BNU Pit 3 boxcut

New Mining Licenses

The Company is pleased to announce that the Minerals Resource Petroleum Authority of Mongolia (MRPAM) recently approved the application to convert two exploration licenses (XV-13780 and XV-5264) into mining licenses (MV-020800 of 3,802 Ha and MV-20803 of 1,977 Ha respectively). Both licences have been granted for a term of 30 years.

Location, Physiography and Infrastructure

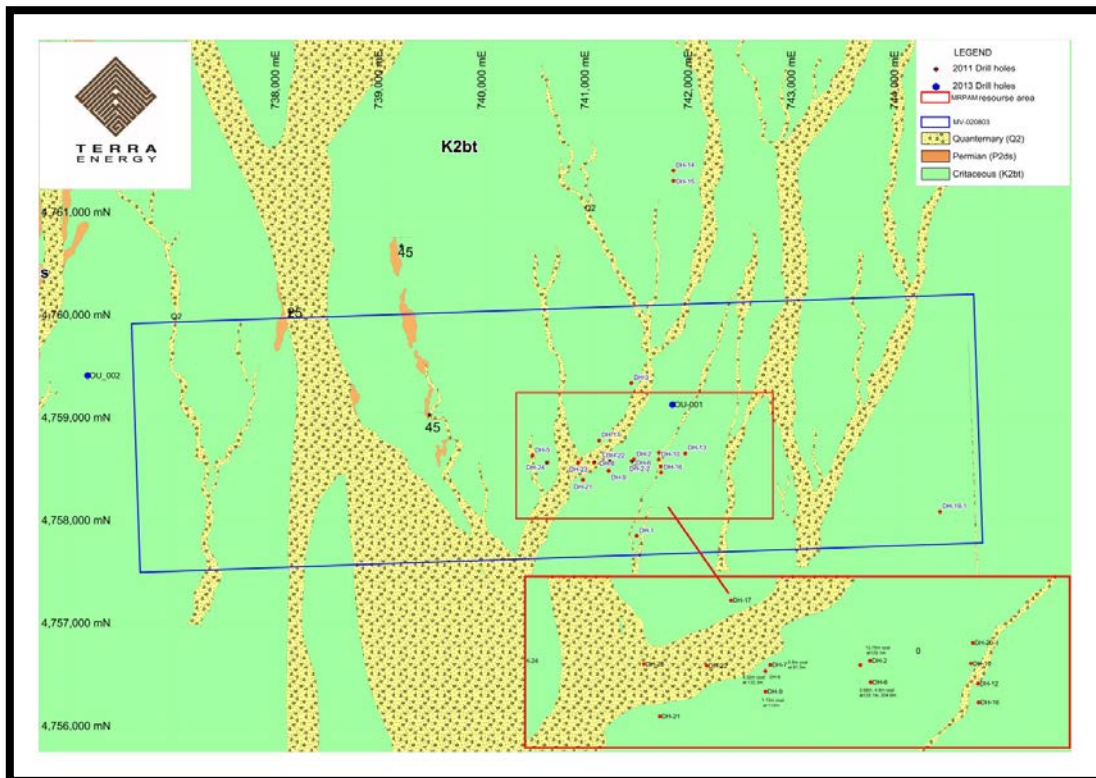
Mining license MV-020800 borders with BNU coking coal mine and mining license MV-020803 is approximately 32 km west of the BNU coking coal mine. The mining development of these licences will utilise the existing BNU coking coal mine infrastructure.



Resource / Geology

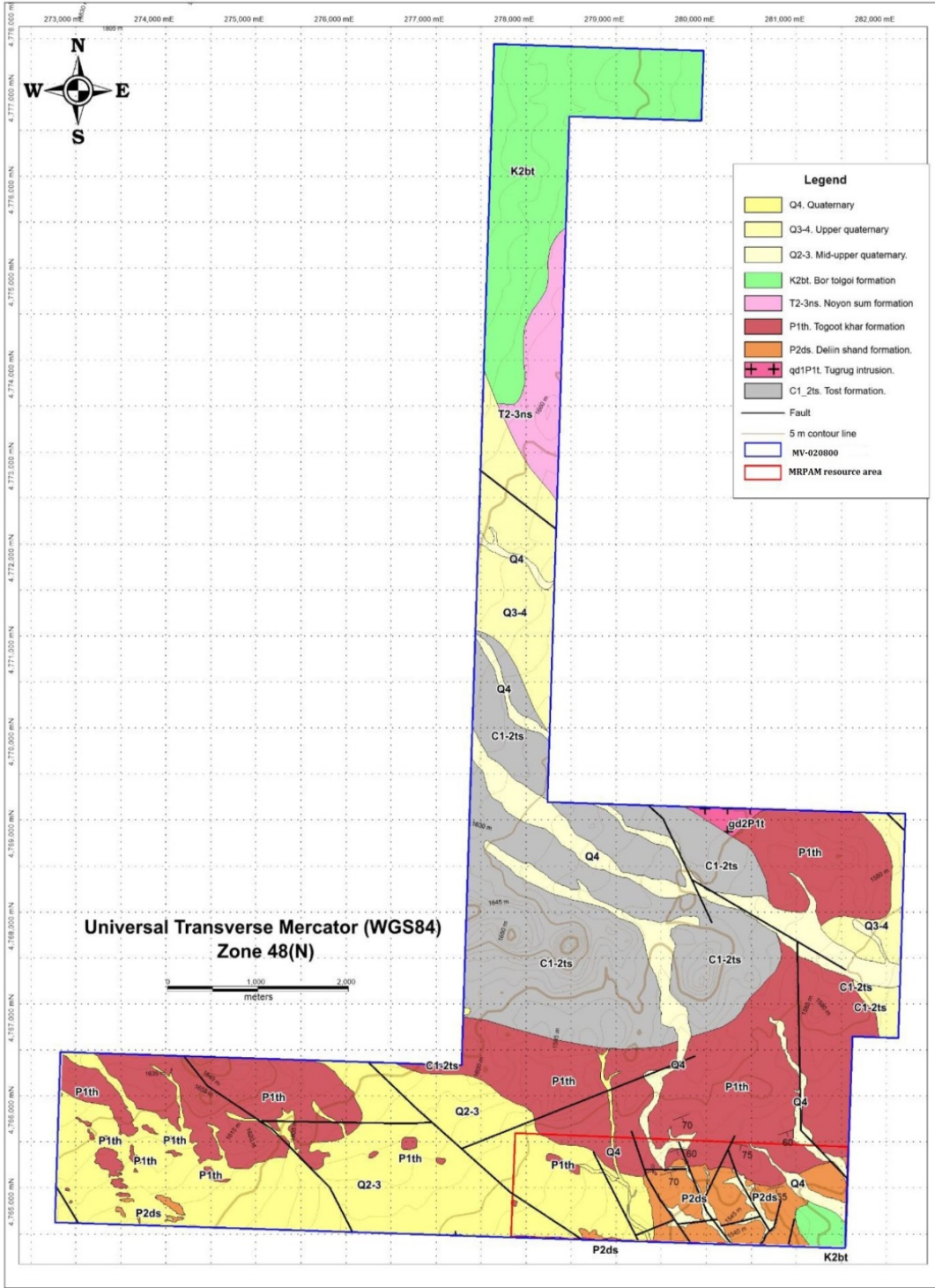
The coal resource is within the Deliin Shand suite (which is estimated to be over 1000 metres thick in the basin). The licence has target formation outcropping and striking into the licence. The Deliin Shand suite is described as clay stones, siltstones, sandstones, conglomerates and coal.

Resource statements and feasibility studies were prepared for both of the new mining licence submissions in accordance with MRPAM standards.



Geological map of MV-020803

MV-020800 Geology map



Geological map of MV-020800

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TerraCom has fully commissioned the **Baruun Noyon Uul (BNU) 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.

On completion of the Blair Athol Sale and Purchase Agreement, TerraCom will acquire the **Blair Athol Coal Mine** 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 will include 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.

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.

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 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.

Additionally, TerraCom is 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@terraresources.com for further information.



Nathan Boom
Company Secretary

1- Refer 7 November 2016 ASX Announcement for further information and clarification on the Blair Athol production forecast. The material assumptions underpinning the Blair Athol production target in the 7 November 2016 ASX Announcement continues to apply and has not materially changed.