



# QUARTERLY REPORT

## FOR THE QUARTER ENDED 30 JUNE 2017

TerraCom Limited (“**TerraCom**” or the “**Company**”) (ASX: **TER**) is pleased to present its quarterly activities report for the period ended 30 June 2017.

### HIGHLIGHTS

#### TerraCom Corporate

- Cash and Cash Equivalents as at 30 June 2017 AU\$8.65 million.
- The closing cash and cash equivalents balance at the end of June is not a true reflection of the gross working capital position of TerraCom. The gross working capital at the end of June includes delivered coal which revenue had not been receipted for and coal inventory on hand.
- Continued signs of sustained commodity price recovery in both coking and thermal coal markets.
  - Thermal coal closed the quarter at ~US\$78 per tonne – up 56% from US\$50 in January 2016 and only a 7% reduction compared to March 2017. Post 30 June 2017 the market has seen a spot market trade of US\$99 per tonne.
  - Coking coal closed the quarter at ~US\$150 per tonne – up 97% from US\$76 in January 2016 and only a 2% reduction compared to March 2017.
- Coupon interest payment of US\$7.75 million made on the Company’s Listed Euroclear Bond. The Company elected to PIK 50% of the interest.
- OL Master Limited (OCP) deferral of Super Senior Note A Principal repayment of US\$12.0 million from 30 June 2017 to 50% on 30 October 2017 and 50% on 30 January 2018.
- Noble Resources International Pte Limited (Noble) agreed to convert US\$7.16 million of its Fuel Exclusivity Facility into 298,311,234 fully paid ordinary shares of the Company. The Company utilised its existing capacity under Listing Rules 7.1 and 7.1A. The effective issue price per ordinary share was \$0.032 (rounded to 3 dp).
- Appointment of Wallace (Wal) King as a Non-Executive Director of TerraCom Limited.

## Mongolian Business Unit

- TerraCom's wholly owned Mongolian subsidiary continued to operate the BNU Coking Coal Mine in Mongolia, and export coal meeting obligations under a 5.5-year offtake for coking coal to the Kingho Group, one of the largest private coal companies in China.
- Coal production increased significantly (~150%) quarter on quarter.
- BNU Coal Mine production performance is shown in the following table, where it can be seen that progressive ramp up continued throughout the quarter:

	Apr 17	May 17	Jun 17	Total
<b>Overburden (bcm)</b>	816,897	930,329	1,015,174	2,772,200
<b>Coal Production (tonnes)</b>	61,827	96,786	87,795	246,408
<b>Coal Exports (tonnes)</b>	51,325	61,989	105,333	218,647

- Engineering, Procurement and Construction contract for the BNU CHPP executed with Zhongkuanglvneng (Beijing) Engineering & Technology Ltd (ZKLN), subsidiary of Guohua Technology Corporation, for construction of Coal Handling and Processing Plant (CHPP) at the BNU Coal Mine.

## Australia

- Became the owner of the Blair Athol Mine following the completion of the Sale and Purchase Agreement with the Blair Athol Coal Joint Venture. Mining Title transfer for the Blair Athol Mining Lease (ML 1804) occurred in mid May 2017.
- TerraCom have developed a revised plan of operations for a return to coal mining at Blair Athol. This Plan of Operations was approved by the Queensland Government's Department of Environment and Heritage Protection and the associated Financial Assurance was calculated to be at AU\$74.6 million.
- Link Mining and TerraCom have safely recommissioned the infrastructure and key elements of the mining fleet at Blair Athol to enable coal uncover and sales in Q3, 2017 calendar year. Successful dewatering of mining pits and initial reshaping for rehabilitation areas commenced in June 2017.

## Business Development

- Exploration continued during the quarter, with focus on trenching and drilling at the BNU Coking Coal Mine providing positive results. Planning is underway for the further optimisation and expansion of existing BNU operation in BNU Pit 1 and BNU Pit 2, plus improving geological model definition for the development of BNU Pit 3.
- Continued the evaluation of the acquisition of a hard coking coal mine in Kalimantan, Indonesia.

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## CORPORATE STRATEGY AND OPERATING ENVIRONMENT

During the quarter there continued to be signs of sustained commodity price recovery in both coking and thermal coal markets.

- Thermal coal closed the quarter at ~US\$78 per tonne – up 56% from US\$50 in January 2016 and only a 7% reduction compared to March 2017. Post 30 June 2017 the market has seen a spot market trade of US\$99 per tonne.
- Coking coal closed the quarter at ~US\$150 per tonne – up 97% from US\$76 in January 2016 and only a 2% reduction compared to March 2017.

The Company is confident that sustained prices (including small downward price corrections) during the next couple of quarters will continue remove a substantial portion of the market volatility still being faced by the industry.

### BALANCE SHEET RESTRUCTURING – FINANCING AND EQUITY

#### Coupon Interest on Listed Euroclear Bond

Coupon interest payment of US\$7.75 million made in June 2017 on the Company's Listed Euroclear Bond. The Company elected to PIK 50% of the interest.

#### Super Senior Notes

OL Master Limited (OCP) deferral of Super Senior Note A Principal repayment of US\$12.0 million from 30 June 2017 to 50% on 30 October 2017 and 50% on 30 January 2018.

The coupon interest on Super Senior Note A and Super Senior Note B facilities was paid in the first week of July 2017.

#### Fuel Exclusivity Facility

Noble Resources International Pte Limited (Noble) agreed to convert US\$7.16 million of its Fuel Exclusivity Facility into 298,311,234 fully paid ordinary shares of the Company. The effective issue price per ordinary share was \$0.032 (rounded to 3 dp). The Company utilised its existing capacity under Listing Rules 7.1 and 7.1A.

The remaining principal of US\$1,573,863 will be repaid on 30 January 2018 and will accrue interest at 12.5% per annum payable on the principal repayment date.

### DIRECTOR CHANGES

On 17 May 2017 Mr Wallace (Wal) King AO was appointed as a Non-Executive Director to the boards of TerraCom Limited.

Wal has been a highly successful leader in the mining and construction industry successfully leading Leighton Holdings Limited to become one of the world's major contracting, services and project development organisations. Wal is the Deputy Chairman of the UNSW Foundation Limited, is a Director of Kimberley Foundation Australia Limited; and was up until recently one of the longest serving Directors of Coca-Cola Amatil Limited.

## OPERATIONS - MONGOLIA BNU

### OPERATIONS

Mining and export operations continued to ramp up to meet obligations under the 5.5-year offtake agreement with the Kingho Group. Mining was predominantly focused on uncovering and extraction of coal from Pit 2, however late in the quarter mining activity commenced in Pit 3.

### SAFETY

During the quarter, the BNU site passed a significant safety milestone of 2 million man-hours worked without Lost Time Injury (LTI). The mine maintains its LTI free status since commencement of operation, with over 2.16 million man-hours worked LTI free by end Q2 2017 calendar year.

### PRODUCTION

Overburden production rates increased slightly month-on-month in the quarter, whilst coal production increased significantly (~150%) quarter-on-quarter as initial overburden was removed to access the coal reserve.

	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4	2016/17 TOTAL
Raw Coal mined (ROM tonnes)	0	0	97,870	246,408	344,278
Overburden Mined (bcm)	0	288,012	2,349,212	2,772,200	5,409,424
Raw Coal Exported (ROM tonnes)	0	0	97,295	218,647	315,942
Raw Coal Inventory (ROM tonnes)	40,049	41,007	42,148	75,697	75,697



BNU Pit 3



*BNU Pit 2*



*Coal Loadout*

### **BNU ON-SITE CHPP**

Negotiation of long form Engineering, Procurement and Construction (EPC) contracts for development of a CHPP for BNU operations continued throughout the quarter with Guohua Technology Corporation (GTC), a highly experienced, competent and competitive CHPP provider from Tangshan, China. GTC acquired The Daniels Company of the United States in 2012, and have designed and built over 500 wash plants in China.

EPC contract for BNU CHPP was executed on 21 June. Master Schedule targets commissioning early in Q1 2018, with both parties committed to expediting the construction as much as possible. The CHPP will be located within the established Customs Bonded Yard onsite at BNU, with ready access to water sufficient for the coal processing from the mine operations.

The strategy to commission the CHPP onsite at BNU provides a pivotal asset in controlling the volume and quality of coal supplied from BNU through the Shivee Khuren - Ceke border crossing into China.

There are a number of key benefits of the CHPP at BNU:

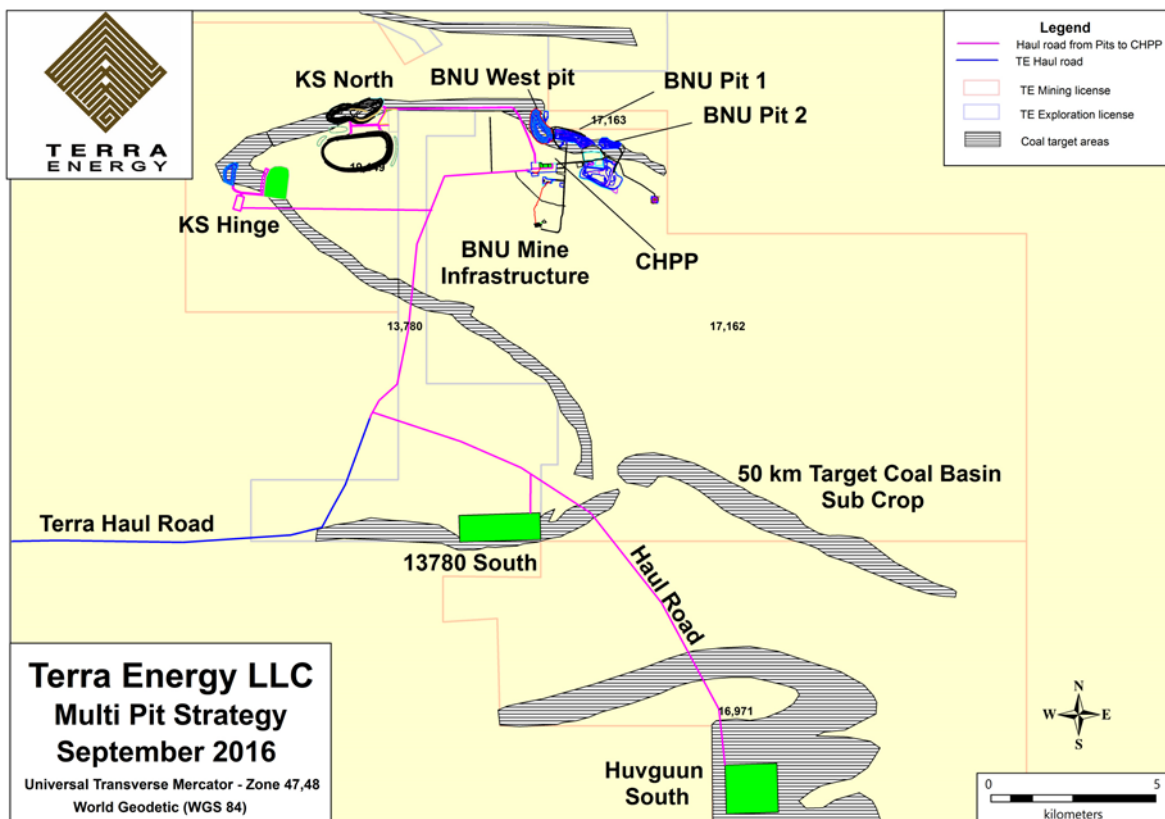
- Improvement in yields of 3-6% due to CHPP designed specifically to deal with fines
- Avoids yield manipulation by third party CHPP operators
- Reduction in distribution (including trucking) costs
- Ability to expand and wash third party coal in the future

The above factors will see the onsite CHPP increase the BNU cash operating margin as clean coal will be transported into China, which adds significant NPV value to the existing and future projects in the basin.

## BUSINESS DEVELOPMENT – MONGOLIA

### SOUTH GOBI EXPLORATION

In 2Q 2017, the Company continued with trenching and definition drilling within the BNU Mining License, in support of the expansion and development BNU Pit 3 (BNU West Pit) mining area as part of the Company's multiple pit operating strategy. The box cut and coal production was successfully commenced from BNU Pit 3 during the quarter. The trenching and definition drilling continued west along the sub-crop into the KS North Mining Licence working along the estimated 50km of projected Noyon Basin sub crop contained under mining licence.



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## UVS PROJECT

The Uvs project is a strategic project for Terra Energy containing multiple commodity targets in North West Mongolia. The basin is prospective for coal; evaporate salts (potash), uranium, and associated brines and clays (Lithium (Li) and Magnesium (Mg)). The Company was focussed on its South Gobi exploration during the quarter, and therefore no further exploration work was conducted during the quarter on the Uvs project.

Early stage exploration was completed prior to the quarter, with detailed 2D in situ mapping, sampling, archaeological and paleontological survey across 22,000 hectares over five licence areas. Detailed mapping was undertaken updating historical mapping across Devonian and Carboniferous outcrops and providing detailed information on formation boundaries, rock types and geological structure.

The extensive mapping determined the licences contained the evaporite gypsum outcropping within the target mid Devonian Tserd Uul (D2cr) formation. The Tserd Uul formation outcrops extensively across the Uvs licences in a synform basin containing predominately ductile and brittle deformation.

This in situ mapping defined the 2D structure, and will be followed up with radio metrics to target marker units such as Potassium (K+). These markers are anticipated to identify sylvite, an evaporite mineral. This stage will further define the 3D structure using electronic survey to determine the existence of brines due to their high conductivity.

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## OPERATIONS – AUSTRALIA BLAIR ATHOL

TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd, has acquired Blair Athol Coal Mine (mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV). The sale and purchase agreement with the BACJV completed on 31 May 2017.

The acquisition for a consideration of AUD\$1 includes the mining lease, site infrastructure, related licenses, land, active contracts and all mining plant & equipment, including a dragline, to deliver TerraCom's forecast production schedule and the progressive rehabilitation.

During June 2017, the Blair Athol team submitted a revised Plan of Operations to the Queensland Government's Department of Environment and Heritage Protection (DEHP) outlining a return to operations in 2017-18 at a 2Mtpa<sup>1</sup> mining rate. The Plan of Operations and associated Financial Assurance of AU\$74.6 million has been subsequently approved by the DEHP.

Since site handover on May 31, 2017, TerraCom has appointed Link Mining Services Pty Limited (Link Mining) as the Operator of Blair Athol. Link Mining have successfully completed phase 1 recommissioning works and commenced bulk shaping and dewatering works to deliver on TerraCom's plans to restart coal mining and complete over 50 hectares of site rehabilitation in 2017 calendar year. The operation is planned to deliver 2Mtpa<sup>1</sup> of low sulphur export thermal coal and ongoing progressive rehabilitation, with first coal sales on target in Q3, 2017.

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 has been further bolstered by increased prices in the seaborne thermal coal markets which have remained buoyant during 2017 calendar year.

The recommissioning of the significant fixed infrastructure at Blair Athol also provides TerraCom with comprehensive mine facilities and an established mining operation as a regional hub in Queensland to support expansion plans through various acquisition and expansions plans.

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.

### SAFETY

TerraCom, with Link Mining, has successfully completed the first phase of recommissioning works, pit dewatering and initial overburden movement in June without incident. Link Mining have been appointed as the Operator under the Coal Mining Safety and Health Act (Qld), and have developed a site-specific Safety and Health Management System which encompasses all activity at Blair Athol. Link Mining and TerraCom have held positive discussions with the Queensland Mines Inspectorate department to ensure full compliance and safe operations as Blair Athol is brought back to production.

### OPERATIONS

Link Mining, under the 5 year Mining and Rehabilitation contract have delivered on the first 30 days of the Blair Athol Mobilisation and Commissioning plan without incident. In addition to the key safety, health and environment compliance activities, Link Mining have successfully recommissioned the Dozer fleet and pit



dewatering equipment, commenced recommissioning of the truck and excavator fleet and dragline and have commenced the first overburden movement toward coal uncover.

TerraCom have now completed the Sale and Purchase Agreement with Sedgman Pty Limited (Sedgman), a member of the CIMIC group, to acquire the Coal Preparation Plant currently located on site at the Blair Athol Coal Mine. Link Mining have commenced the recommissioning process in June 2017 of this 300 tonne per hour coal processing plant which will enable TerraCom to fulfill customer requirements in various segments of the thermal coal market to maximize value at the Blair Athol Mine.



*Dewatering of coal pits and mobile fleet recommissioning commenced in June 2017*



*Initial Overburden push for first coal uncover has commenced at Blair Athol*



## FUNDING

The Company has successfully met a number of the milestones for the drawdown of its previously announced prepayment facility. As a result of this, the Company has received US\$6.0 million of the US\$9.0 million facility.

The Company has received AU\$9.8 million of the AU\$12.4 million in funding through the appointed contractor (Link Mining Services Pty Limited) to fund the recommissioning and ramp up to full production. The funding has also enabled TerraCom to acquire from Sedgman Pty Limited the Coal Handling and Preparation Plant (CHPP) currently located on site at Blair Athol. The CHPP will enable the Company to meet customer requirements in various segments on the thermal coal market to maximise value of the coal produced at the Blair Athol Mine.

## BUSINESS DEVELOPMENT – AUSTRALIA

### SPRINGSURE PROJECT

The Springsure Project (MDL 3002 and EPC 1674) area covers a total area of 34.2km<sup>2</sup> and is made up of 11 sub-blocks approximately 8km north of the town of Springsure on the Gregory Highway in the Springsure Region. TerraCom Limited is a 36% shareholder in Springsure Mining Pty Ltd and the Springsure Project Manager.

The Project area occurs on strike with Minerva Coal Pty Ltd's Minerva South and Minerva No.1 mines which are located approximately 3km to the north. The Minerva Open-Cut mine is a multi-seam mine targeting

high quality thermal coal resources within the Reids Dome Beds coal measures. The Minerva rail spur line transverses across the south east corner of EPC 1674.

The proposed 2017 exploration plan for MDL 3002 consists of 5 partially cored boreholes and 2 fully cored holes totalling 7 holes. The objective of this plan is to:

1. Delineate local structure complexities in MDL area, including gathering more information on the Minerva Hills Volcanics (Tertiary basalt) in the area which could potentially affect underground mining;
2. Establish a better understanding of the intruded coal within the area, at this moment in time its slightly sporadic, closer drilling spacing should assist modelling intrusions;
3. Update Coal Quality model and conduct Large Wash testings to better simulate the wash process, further understand coal product; and
4. update the geological model and coal resource.

#### **FERNLEE PROJECT (ADJOINING SPRINGSURE PROJECT)**

TerraCom, through its wholly owned subsidiary Sierra Coal Pty Limited, has executed an Asset Sale Agreement for EPC1103 - Fernlee Project from the Liquidators of Fernlee Coal Pty Limited (In Liquidation) and have applied for DNRM indicative approval for transfer of the tenement to TerraCom who will wholly own the tenement. Subsequent to quarter end, the Company received indicative approval for transfer from the DNRM in July 2017.

EPC1103 - Fernlee Project adjoins the EPC1674/MDL3002 - Springsure Project and is seen as a key strategic transaction for TerraCom providing the potential to expand the Springsure Project MDL area to the East and North East.

## **BUSINESS DEVELOPMENT – OTHER**

### **INDONESIA**

The Company has focussed on delivering production from BA and BNU during the quarter and has not progressed due diligence on a hard coking coal mining operation in Indonesia. The asset under review 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 and has considerable expansion opportunities within the lease and through consolidation of surrounding projects.

## MINING TENEMENTS HELD AT THE END OF THE QUARTER

Tenement	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
MV-17162, MV-020800, MV-020803	100%	100%	Mongolia	Coal
XV-018142, XV-018797, XV-018802, XV-20281, XV-20539	100%	100%	Mongolia	Coal
XV-020139, XV-020329	100%	100%	Mongolia	Coal
XV-015466, XV-12929	100%	100%	Mongolia	Coal
XV-018111, XV-018513, XV-020268, XV-12600, MV-19149, MV-16971	100%	100%	Mongolia	Coal
ML1804	0%	100%	Australia	Coal
EPC 1300, EPC 1394, EPC 1477, EPC 1478, EPC 1479, EPC 1480, EPC 1574, EPC 2047, EPC 2049, EPC 2105	100%	100%	Australia	Coal
EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1963, EPC 1964	100%	100%	Australia	Coal
EPC 2503, EPC 2504	100%	100%	Australia	Coal
EPC 1250, EPC 1260	64.4%	64.4%	Australia	Coal
EPC 1674, MDL 3002	35.78%	35.78%	Australia	Coal
EPC 2256	100%	100%	Australia	Coal
EPC 1872	100%	100%	Australia	Coal
EPC 1822	100%	100%	Australia	Coal

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## ABOUT TERRACOM – TERRACOMRESOURCES.COM

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.

TerraCom has acquired the Blair Athol Coal Mine for AUD\$1 and the Queensland Government has received AUD\$79.6m from the Blair Athol Coal Joint Venture (BACJV) to meet Blair Athol Coal Mine's rehabilitation. The acquisition included 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 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; 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 years<sup>1</sup> 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.

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.

***Please contact Nathan Boom, on +61 2 4268 6258 or at [info@terracomresources.com](mailto:info@terracomresources.com) for further information.***



**Cameron McRae**

**Executive Chairman**

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

TerraCom Limited

### ABN

35 143 533 537

### Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	14,214	20,180
1.2 Payments for		
(a) exploration & evaluation	(84)	(533)
(b) development	(1,533)	(3,139)
(c) production	(8,898)	(16,514)
(d) staff costs	(1,711)	(4,011)
(e) administration and corporate costs	(2,235)	(5,214)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	(10,866)	(11,793)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Other proceeds received through acquisition)	7,970	7,963
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,141)</b>	<b>(13,055)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,352)	(2,933)
(b) tenements (see item 10)	-	(10)
(c) investments	-	-
(d) other non-current assets	(363)	(1,069)

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,715)</b>	<b>(4,012)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	7,441
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(201)
3.5	Proceeds from borrowings	14,258	18,477
3.6	Repayment of borrowings	(1,002)	(1,002)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Interest paid)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>13,526</b>	<b>24,715</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,083	1,148
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,141)	(13,055)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,715)	(4,012)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,526	24,715
4.5	Effect of movement in exchange rates on cash held	(101)	(144)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,652</b>	<b>8,652</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	8,652	1,083
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,652</b>	<b>1,083</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	499
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Cameron McRae's engagement as Executive Chairman is through consultancy firm Tarva Investments and Advisory LLC (Tarva) to which he is the appointed Executive Director. The payments to Tarva for Cameron's services have been disclosed within payments to directors above.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

NIL



## Mining exploration entity and oil and gas exploration entity quarterly report

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (provide details if material)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
226,336	219,885
-	-
-	-

**Super Senior Note A**

The Super Senior Note A secured facility is fully drawn down for the amount of US\$12.0 million. The facility bears an interest rate of 15% per annum. The principal repayment dates is US\$6.0 million on 30 October 2017 and US\$6.0 million on 30 January 2018.

**Super Senior Note B**

The Super Senior Note B secured facility is fully drawn down for the amount of US\$5.0 million. The facility bears an interest rate of 15% per annum, and principal amount can be converted to the Listed (Euroclear) bonds at TerraCom Limited's discretion.

**Listed (Euroclear) Bond**

The Listed (Euroclear) Bond secured facility is fully drawn down for the purchase value of the bonds to the amount of US\$97.0 million (redemption value of the bonds is US\$131.8 million). The facility bears a cash interest rate of 12.5% per annum; as well as having a value uplift applied between the redemption value and purchase price, along with the interest, implies an annual cumulative interest rate of 21.09%. At each interest repayment date, 50% of the interest charge can be capitalised into the principal amount of the loan. This facility also includes a special interest component.

**Fuel Exclusivity Agreement**

On 14 November 2013, the Company entered into a Fuel Exclusivity agreement with Noble Resources International Pte Limited (Noble) for US\$8.0 million. During the quarter, Noble agreed to convert USD\$7.16 million into 298,311,234 fully paid ordinary shares of TerraCom Limited. The remaining principal of US\$1.57 million carrying value will be repaid on January 2018 and will accrue interest at 12.5% per annum payable on the principal repayment date.

**Non-Interest Bearing Loan**

This amount relates to US\$3,000,000 due by the Group to Noble and is payable by the recently acquired Enkhtunkh Orchlon LLC. This amount is due for repayment on 1 October 2020. The Share Sale Agreement also included up to US\$4,000,000 to be advanced by Noble to the Group for furtherance of the business.

**Working Capital and Prepayment Loan**

The Working Capital and Prepayment Loan secured facility has a facility limit of US\$12.0 million. As at 30 June 2017, the facility had US\$3.0 million which was not drawn. The facility bears an interest rate of 9% per annum. The facility has multiple principal repayment dates.

**Blair Athol Funding**

Upon the completion of the Blair Athol acquisition a finance facility through the appointed operator (Link Mining Services Pty Limited) became effective. As at 30 June 2017, the facility had AU\$2.6 million which was not drawn. The facility bears an interest rate of 12% per annum, with principal and interest payable on specified repayment dates.

Refer to the Half Year Financial Statements for 6 Months Ended 31 December 2016 and subsequent ASX announcements for additional information on the facilities.

<b>9. Estimated cash outflows for next quarter</b>		<b>\$A'000</b>
9.1	Exploration and evaluation	1,040
9.2	Development	2,242
9.3	Production	19,364
9.4	Staff costs	1,400
9.5	Administration and corporate costs	2,256
9.6	Other (asset acquisition, finance interest and principal)	5,924
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>32,226</b>

The Company's cash balance as at 30 June 2017 (AU\$8.65 million) and estimated cash inflows for the 3 months ended 30 September 2017 exceeds the estimated cash outflows above.

The estimated cash inflows includes revenue from coal sales which occurred in June 2017 quarter, revenue from coal sales to occur in September 2017 quarter (including coal sales from coal inventory as at 30 June 2017 and budgeted coal production), and receipt of funding facilities as previously announced on the ASX.

Item 9.6 includes US\$2.6 million which has already been paid as announced to the ASX on 6 July 2017.

<b>10.</b>	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	ML 1804 Blair Athol	-	-	100%

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:   
.....  
(Director)

Date: 24 July 2017 .....

Print name: ..Cameron McRae.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.