



TerraCom Limited
34 Hewitts Avenue
Thirroul, New South Wales, 2515
Australia
+61 2 4268 6258
ABN: 35 143 533 537
www.terracomresources.com

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ASX Announcement

Delivering on Production Plans

TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to provide an update on progress according to plan of both mining operations at BNU Coking Coal Mine in Mongolia and Blair Athol Thermal Coal Mine in Queensland and is on target to deliver the annualised production rates from both mines which is a combined 3.5Mtpa.

The successful progress according to plan along with the completion of the Balance Sheet Restructuring announced to the market on the 27 June 2017 strongly positions TerraCom to capitalise on the relatively strong coking coal and thermal coal markets this financial year and thereby deliver substantial value to its shareholders.

Blair Athol Thermal Coal Mine (BA)

TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd has successfully recommissioned the Blair Athol Coal Mine and is on track to deliver first sales in August 2017 and will then quickly ramp up to the 2 million tonne per annum annualised rate in early Q4 2017¹.

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 receipted **US\$6.0 million** of the US\$9.0 million facility.

The Company has received **AU\$9.2 million** of the AU\$11.6 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 BA which will enable the Company to meet customer requirements in various segments of the thermal coal market to maximise value of the coal produced at the Blair Athol Mine.

The Managing Director of Link Mining Services Pty Limited, Mr Brad Marshall said “The dragline has been operationally tested and is in the process of being brought up to full production levels with the existing spares on site. The operation has been progressively recommissioning the remainder of the mobile fleet and bringing all of these online ready for operational activity. The CHPP has been fully assessed and a recommissioning project commenced to ensure it will be online and operational for the first scheduled coal wash.”

The Company can also confirm the strong interest in the BA coal brand from both export and

domestic markets and is confident that the first 12 months sales will be comfortably filled.

Baruun Noyon Uul Coking Coal Mine (BNU)

TerraCom through its Mongolian subsidiary continues mine coking coal from BNU and deliver to Kingho under the offtake agreement. Production continues to successfully ramp up to the targeted annualised rate of 1.5Mtpa² and is forecasted to sell 121,000 tonnes in July 2017.

Long form contracts have been signed with Guohua Technology Corporation (GTC) for the design and construction of the onsite coal handling and processing plant (CHPP) for the BNU Mine Complex with construction to commence this quarter. The CHPP will increase the BNU cash operating margin through improved yield and improved product quality control; through bringing a higher proportion of coal mined into the higher value coking market and through reducing freight costs as clean coal will be transported into China. The CHPP adds significant NPV value to the existing and future projects in the coal basin held under licence.

Further progress has been achieved according to plan of the multi-pit strategy with the opening and first coal mined from BNU Pit 3. Coal will be simultaneously mined from BNU Pit 2 and BNU Pit 3 for the remainder of 2017 and into 2018. Trenching and open hole infill exploration activities has progressed for Pit 4 and Pit 5 which are located progressively along the 50km of projected sub crop of the Noyon Coal Basin held under mining licence by the Company. All of these pits will be developed utilising existing infrastructure as a hub.

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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.

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 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.

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 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.

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.

2- Refer 21 November 2016 ASX Announcement for further information and clarification on the BNU Mine production forecast. The material assumptions underpinning the BNU Mine production target in the 21 November 2016 ASX Announcement continues to apply and has not materially changed.

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

A handwritten signature in black ink, appearing to read "Nathan Boom", written in a cursive style.

Nathan Boom
Company Secretary