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ASX Announcement

Blair Athol Update – Mining, Sales and Market

TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to provide an update on the recommissioning of the Blair Athol Thermal Coal Mine in Queensland in relation to offtake agreement, first sales and thermal coal market.

Mining Progress

TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd (Orion) has successfully recommissioned the Blair Athol Coal Mine and is on track to deliver first sales this month (August 2017). Orion will rapidly ramp up to approximately 2 million tonnes per annum annualised rate¹ in Q4 2017.

Mining and Rehabilitation activities have continued to progress on schedule to meet this first coal sale timeline. Bulk earthworks have continued on the rehabilitation element of the operation, which is being conducted in accordance with the requirements defined in the Environmental Authority.

Overburden has been removed to facilitate the first coal extraction. The first month's coal production has been surveyed insitu in preparation for mining and processing ready for sale.

The forecast production schedule for next 6 months is:

Month	Production Forecast (kilo tonnes) ¹
August 2017	46
September 2017	74
October 2017	163
November 2017	157
December 2017	173
January 2018	205
First 6 Months Total	818

Purchase Agreement – First 6 months of Sales

Orion has signed a purchase agreement for the sale of the first 6 months of production which will underpin the start-up of the Blair Athol mine with pricing linked to the Newcastle Thermal Coal Index in line with expectations. For this interim period coal will be transported to a nearby train loading facility where it will be loaded onto trains and transported to DBCT port for export into Asia. There is an option to extend this purchase agreement for a further 6 months.

BA Rail Facility

Orion has assembled a Project Team being led by Aurizon to establish BA's own dedicated private train loading facility re-commissioning the rail line that runs across BA site and connects into the main Goonyella Rail Line which runs to DBCT. The Project is conducting detailed design and work programs which has an indicative time line of 6-9 months and delivers significantly improved margins compared to other path to market options.

Thermal Coal Market

The market for high quality Australian thermal coal continues to strengthen heading into the second half of 2017 and further into 2018. Extensive wet weather across Indonesia in recent months, coupled with lost production following cyclone Debbie in Queensland earlier this year and continued strike action at Australia's largest thermal coal producer in the Hunter Valley, has resulted in a market that is tight in the medium term and is providing the support for further thermal price increases.

Physical coal trades over the past week for September tonnage on the globalCOAL platform have seen prices confirmed at US\$99/t basis 6000 kcal/kg NAR and US\$96.75/t basis 6000 kcal/kg NAR for Australian bituminous thermal coal FOB Newcastle.

Chinese import prices have also remained strong on the back of positive GDP growth in the first half of 2017, further supporting Australian thermal coal pricing. Prices for prompt high ash 5500 kcal/kg NAR thermal coal are seeing bids for the China market in the early to mid US\$70's/t level, basis 5500 kcal/kg NAR FOB Newcastle.

This is all very positive for the reintroduction of Blair Athol thermal coal into the international market.

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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 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 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.

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



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