



TerraCom Limited
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terraresources.com

23 January 2018

Cleansing Notice

Fully Underwritten Non-Renounceable Pro-Rata Accelerated Rights Issue

TerraCom Limited (**TerraCom** or the **Company**) today announced that it will undertake a fully underwritten, non-renounceable pro-rata accelerated rights offer to all eligible shareholders of approximately 70,000,000 fully paid ordinary shares in the Company on the basis of an entitlement to subscribe for three (3) fully paid ordinary shares (**New Shares**) for every existing thirteen (13) fully paid ordinary shares held at the record date (being 7:00pm (AEDT time) on 25 January 2018) at an issue price of \$0.215 per New Share to raise approximately \$15,000,000 (before costs and expenses) (**Rights Issue**).

Further details about the Rights Issue are set out in the launch announcement, investor presentation and other materials lodged by the Company with ASX today.

TerraCom gives notice under section 708AA(2)f) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as modified by ASIC Corporations (Non-traditional rights issues) Instrument 2016/84, that:

- (i) the Company will offer the New Shares for issue pursuant to the Rights Issue without disclosure to investors under Part 6D.2 of the Corporations Act;
- (ii) as at the date of this notice:
 - a. the Company has complied with the provisions of Chapter 2M of the Corporations Act as they apply to the Company;
 - b. the Company has complied with section 674 of the Corporations Act; and
 - c. there is no information that is 'excluded information' (within the meaning of sections 708AA(8) and 708AA(9) of the Corporations Act) which is required to be disclosed under section 708AA(7)(d) of the Corporations Act; and
- (iii) the potential effect that the issue of Shares will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand. To the extent that shareholders choose not to take up their full entitlements under the Rights Issue, the percentage holdings of these shareholders in the Company may be diluted by those other shareholders who take up some or all of their entitlement. At this time, the issue of the New Shares under the Rights Issue is not expected to have

a material effect or consequence on the control of the Company for the following reasons:

- a. The Rights Issue is structured as a pro-rata issue. Accordingly, if all eligible shareholders were to take up their full entitlements under the Rights Issue, there would be no effect on the control of the Company and no flow through to the Underwriter or Sub-underwriter/s to the Rights Issue pursuant to the underwriting and sub-underwriting arrangements.
- b. Although the issue of New Shares (that are not taken up by eligible shareholders under the Rights Issue) may increase the voting power in the Company of the Underwriter or the Sub-Underwriter/s (or any institutional investors to whom they may allocate New Shares in fulfilment of their underwriting and sub-underwriting obligations), any such flow through under the underwriting and sub-underwriting arrangements is not expected to have a material effect on the control of the Company. Further details about the underwriting and sub-underwriting arrangements are provided in the investor presentation lodged with ASX earlier today, including the Sub-Underwriter's:
 - i. fee of A\$750,000 to be satisfied by a placement of new shares in the Company at A\$0.215 per share;
 - ii. right to subscribe for A\$250,000 of new shares in the Company at A\$0.215 per share to extinguish on completion of the placement described in paragraph (i) above; and
 - iii. entitlement to appoint a director to the board of the Company so long as the Sub-Underwriter and its related bodies corporate hold in aggregate 5% or more of the shares in the Company.
- c. The current holdings of substantial holders (based on substantial holding notices that have been given to the Company and lodged with ASX prior to release of this notice) are such that no participant in the Rights Issue, including the Underwriter and Sub-Underwriter/s, will be offered or acquire New Shares which would result in them holding 20% or more of the shares on issue immediately following completion of the Rights Issue.

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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 completed the acquisition of the Blair Athol Coal Mine in May 2017. 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 has completed 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 8 years¹ and ongoing progressive rehabilitation.

Additionally, TerraCom has long term exploration plans with the intent on developing two projects in Queensland, Australia: the large thermal coal Northern Galilee Project and the high energy prime thermal coal Springsure Project.

1– Refer to ASX Announcement on 5th September 2017 for further information and clarification on the Blair Athol production forecast. The material assumptions underpinning the Blair Athol production target in this 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 7 4983 2038 or at info@terracomresources.com for further information.



Nathan Boom
Company Secretary