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ASX Announcement

Blair Athol Mine Sales and Train Loadout Facility Update

The Board of TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to provide an update on sales from Blair Athol Mine (BA) and on the completion of the Train Loadout facility.

BA Sales

The Company is pleased to advise that there is strong interest in BA coal resulting in a full short term sales book with strong pricing in a positive export thermal coal market.

A significant milestone was reached yesterday with **500,000 tonnes of BA coal** having been sold into the export market via the temporary alternate path to market. Four (4) vessels have already been completed and have sailed into South Korea and China.

Also following a recent round of discussions in Japan with major Japanese buyers (JPU's and JGI's) there is strong interest in Japan in the BA Brand where it has a long history and tradition with most securing cargos for Q2 and Q3 2018.

BA Dedicated Train Loadout Facility (TLO)

This is a critical activity for BA which involves the construction and commissioning of a dedicated train loading facility.

The TLO facility utilises the existing unused rail line which runs across the BA site and connects into the main Goonyella Rail Line and then runs to Dalrymple Bay Coal Terminal (DBCT). The TLO construction work is well advanced including:

- The civils required for the TLO stockpile and train loading facilities
- The rail recommissioning works being conducted by Aurizon Network including ballast and rail sleeper upgrades

The Company has also completed and/or is in the final stages of completion of all requisite rail and port agreements to facilitate the path to market for the planned BA saleable production and lining up with the commissioning of the TLO.

This load-out facility will have a substantial positive impact on the economics of the BA mine, forecasting to deliver an additional \$20 per tonne improvement in margin. The commissioning of the dedicated rail load-out facility will allow the trucks which are currently transporting the coal to another

rail load-out facility to be taken off the road. The Company's dedicated rail load-out facility is forecasted to provide substantial additional Operating Cash Flow and Net Profit Before Tax of A\$34 million per annum which will flow through to consolidated results.

A further update will be provided when the TLO is commissioned which is expected to be around the end of March 2018.

Figure 1 – BA Train Loadout Facility – Looking South West to BA Mine



Figure 2 – BA Train Loadout Facility Looking North to Main Goonyella Rail Line



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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 9 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 13th February 2018 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.

Please contact Nathan Boom, on +61 7 4983 2038 or at info@terracomresources.com for further information.



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