7 June 2018

ASX Announcement

Equity and Financing Update

The Board of TerraCom Limited (TerraCom or the Company) (ASX: TER) is pleased to announce the following in relation to equity and financing in the Company.

Equity – Foster Exercises Options

Foster Stockbroking Pty Ltd (Foster) has exercised 750,000 of options at a strike price of $0.30.

Financing – State Bank of India

TerraCom's wholly owned subsidiary Clermont Logistics Pty Limited has completed the acquisition of 41 properties in Clermont, including 39 houses, Guest House and Single Person Quarters (Clermont Properties).

The Clermont Properties were financed through an initial AUD$ 15 million loan facility provided by State Bank of India, Sydney Branch (SBIS) which has an applicable interest rate of 7.61% per annum (1 Month Bank Bill Swap Rate plus 575 basis points).

Following on from receiving bilateral sanctioning, the State Bank of India have signed an exclusive, non-binding "In Principle" mandate to act as lead lender for the re-finance of TerraCom's existing financing facilities through the creation of a syndicated loan.

"We are inclined to be partnering with TerraCom for part funding of refinancing facility which has substantial growth potential, not only in Australia, but internationally … The re-financing of TerraCom's facilities are subject to necessary sanction and stipulation of both financial and non-financial covenants which is likely to be re-financed at interest rates in the range of 6% to 7% per annum for 3 years or for 5 years … The State Bank of India will endeavour to convey a commitment of USD$ 50 million of the new refinancing facility." stated Pranay Kumar, Chief Executive Officer of State Bank of India, Sydney Branch.

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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 years[1] 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.

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