



TerraCom Limited
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terraresources.com

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ASX Announcement

Company Update

The Board of TerraCom Limited (TerraCom or the Company) (ASX: TER) provides an update on the following matters and take this opportunity to wish all our stakeholders a prosperous New Year.

Production Performance Update

Mongolia

Production performance overview for the BNU Coking Coal Mine in Mongolia is as follows:

Detail	Dec17 Qtr	Sep17 Qtr	Dec17 YTD
Overburden (bcm)	3,498,577	3,362,735	6,861,312
ROM (t)	282,000	147,218	429,218
Trucked (t)	316,795	112,122	428,917
Inventory (t)	89,121	108,891	89,121

Compared to the September 2017 quarter the Company has recognised a ~90% ROM production increase in Mongolia in the December 2017 quarter.

Australia

Production performance overview for the Blair Athol Thermal Coal Mine in Australia is as follows:

Detail	Dec17 Qtr	Sep17 Qtr	Dec17 YTD
Overburden (bcm)	3,542,688	2,221,357	5,764,045
ROM (t)	317,363	124,250	441,613
Trucked (t)	204,548	-	204,548
Inventory (t)	201,118	77,789	201,118

Compared to the September 2017 quarter the Company has recognised a ~155% ROM production increase in Australia in the December 2017 quarter.

As previously announced, the Company achieved name plate production run rate in December 2017. The Company is on track to achieve 3.5 million tonnes production for the 2018 calendar year – consisting of 1.5 million tonnes² from the BNU Coking Coal Mine and 2 million tonnes¹ from the Blair Athol Thermal Coal Mine.

Blair Athol

The first 58 hectares of rehabilitation at Blair Athol Mine has been successfully completed as per forecast.



Preliminary agreements have been concluded for Blair Athol's new dedicated private train loading facility. Construction will commence in the coming days with the facility expected to be completed and commissioned around the end of February 2018. The rail line runs across BA site and connects into the main Goonyella Rail Line which runs to DBCT.

Financing

Super Senior Deferral

The Super Senior Note A holders have agreed to defer US\$7.5 million of the principal payment to 30 October 2018. In return the Company has agreed to a US\$2 per BNU coal sold tonne royalty for five years commencing 1 January 2018.

The deferral of this principal payment allows the Company to accelerate the delivery and

commissioning of the BNU Wash Plant in Mongolia. As announced previously, the BNU Wash Plant will increase the BNU cash operating margin as a result of yield improvement gained through customised CHPP design, and savings in freight costs on basis of transporting clean coal products only. The CHPP adds significant NPV value to the existing and future projects in the coal basin held under licence.

Bond Interest

In accordance with the Euroclear Listed Bond requirements, TerraCom has made its second coupon interest payment of ~US\$4.1 million on its Listed Euroclear Bond today. The Company elected to PIK 50% of the interest.

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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@terraresources.com for further information.



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