



QUARTERLY REPORT

FOR THE QUARTER ENDED

31 MARCH 2019

TerraCom Limited (“**TerraCom**” or the “**Company**”) (**ASX: TER**) presents its quarterly production activities report for the 3 months ending 31 March 2019 (**March Quarter**).

HIGHLIGHTS

- Cash and Cash Equivalents as at 31 March 2019³ of A\$32.7 million.
- Trade Receivables as at 31 March 2019³ of A\$25.7 million.
- During the 9 months ending 31 March 2019 TerraCom reduced its debt by approximately 13.2% or US\$24.2 million.
- Record Total Saleable Production and Coal Sales for the March Quarter;
 - Total Saleable Production of 820,000 tonnes, an improvement of 12% on prior record set in the June 2018 quarter, and
 - Total Coal Sales of 827,000 tonnes, an improvement of 11% on prior record set in the December 2018 quarter.
- Refinance on track to be delivered in June 2019 quarter.
- The Blair Athol Mine was purchased for A\$1 and had its Train Load Out (**TLO**) commissioned 12 months ago on 2 April 2018. In the past 12 months the Blair Athol Mine has sold 2.2 million tonnes of thermal coal and produced an Operating EBITDA of A\$103.8 million.
- Group EBITDA for the March Quarter³ is A\$22.9 million.
- Blair Athol JORC Reserve⁴ increase after taking into account mining depletion of 2.3 million tonnes (Mt), since September 2017, the Blair Athol Mine JORC Reserves has been upgraded by 13.1Mt or 84% from 15.6Mt to 28.7Mt.

PRODUCTION AND SALES

Thousands of tonnes (kt)	Mar 2019	Dec 2018	Change %	YTD 2019	YTD 2018	Change %
Run-of-Mine (ROM)						
- Australia (Blair Athol)	659	563	17%	1,853	850	118%
- Mongolia (BNU)	230	147	56%	478	633	-25%
Total	890	710	25%	2,330	1,483	57%
ROM Strip Ratio						
- Australia (Blair Athol)	7.6	5.6	36%	6.7	12.1	-45%
- Mongolia (BNU)	20.2	15.9	28%	17.0	15.4	10%
Saleable Production						
- Australia (Blair Athol)	590	547	8%	1,735	652	166%
- Mongolia (BNU)	230	147	56%	478	633	-25%
Total	820	694	18%	2,213	1,285	72%
Coal Sales						
- Australia (Blair Athol)	587	605	-3%	1,806	614	194%
- Mongolia (BNU)	240	141	70%	501	642	-22%
Total	827	746	11%	2,307	1,256	84%
Inventory						
- Australia (Blair Athol)	187	201	-7%	187	92	104%
- Mongolia (BNU)	39	54	-28%	39	82	-53%
Total	226	255	-11%	226	174	30%

Australia coal sales continued to perform strongly with 590,000 tonnes sold in the March Quarter (2.4Mtpa annualised run rate). The coal sales for the quarter were negatively impacted through Dalrymple Bay Coal Terminal (de-wirement at Port resulting in closure of the port for 5 days) and Abbott Point Coal Terminal (weather impacts and continued activist lobbying).

In addition to the port delays experienced during the quarter, the Blair Athol Mine experienced significant rain in late March. This negatively impacted production in March, and continued impacting production in the first half of April 2019. The mine is now back in full production.

Taking into account the external delays identified (port and weather), the Company has reduced its forecasted coal sales for the June 2019 Quarter to 682,000 tonnes (2.7Mtpa annualised run rate). During the June 2019 quarter, and following the announcement of the mine life extension (refer below), the Blair Athol Mine will be focussed on finalising the implementation of its production plan to realise coal sales of 3Mtpa¹ from 1 July 2019.

Mongolia production continued to increase quarter on quarter, recording a number of milestones:

- Record coal sales exported in March 2019 of 152,591 tonnes, with 131,486 tonnes being coking coal.

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- Record coal sales export in a single day (15 March 2019) of 10,343 tonnes, which translates into 109 trucks being loaded in a single day.
 - ROM Production included 128,000 tonnes in March 2019. This represented 56% of the quarterly ROM Production which further demonstrates the productivity and efficiency improvements being delivered at the mine site.

The Mongolia forecasted coal sales for the June 2019 Quarter is 400,000 tonnes (1.6Mtpa annualised run rate). Early planning and development works are continuing for the thick seam thermal coal pit.

JORC, SAFETY AND EXPLORATION

JORC RESERVE INCREASE – BLAIR ATHOL⁴

The Blair Athol JORC Marketable Reserves have increased to 23.5Mt, which effectively adds more than three additional years to the economic mine life, and totals approximately 8 further years based on a 3 million tonne per annum (mtpa) sales profile.

Independent experts Deswik Mining Consultants (Australia) Pty Ltd and TerraCom have conducted further work since the last announcement in February 2018. The coal reserves have been estimated in accordance with the standards outlined in the JORC code (JORC, 2012) and the Coal Guidelines 2014.

After taking into account mining depletion of 2.3 million tonnes (Mt), the Blair Athol Mine JORC Reserves has been upgraded as follows:

- Since February 2018, by 10.7Mt or 59% from 18.0Mt to 28.7Mt.
- Since September 2017, by 13.1Mt or 84% from 15.6Mt to 28.7Mt.

TerraCom are in the process of conducting geotechnical investigations that could potentially add a further 1-2 years onto the Blair Athol Mine Life.

SAFETY

During the quarter TerraCom continued its elevated focus on pro-active risk control and enhancing the positive safety culture within the workforce.

EXPLORATION

TerraCom has completed exploration activities within the Springsure Project MDL 3002 area. This tenement is owned by Springsure Mining Pty Ltd, of which TerraCom is 87% shareholder. The results are currently being analysed by independent third parties, and should there be any material changes, the Company will make the relevant announcement. In addition, the Company has commenced exploration and feasibility on its wholly owned adjoining tenement EPC1103 (otherwise known as the 'Fernlee Project').

CORPORATE

DEBT REDUCTION

During the 9 months ended 31 March 2019 TerraCom reduced its debt by approximately 13.2% or US\$24.2 million, which included the following facilities which have been fully extinguished:

- Noble Blair Athol Facility B US\$ 9.00 million
- Super Senior Note A US\$ 7.50 million
- Noble Blair Athol Facility A US\$ 0.75 million
- Noble Fuel Exclusivity Facility US\$ 0.30 million
- CHPP Facility AU\$ 3.63 million
- Dragline Facility AU\$ 2.84 million

DEBT RE-FINANCE

The Company continues to work with financiers on closing out the refinance of TerraCom's existing facilities, which is expected to complete during the June 2019 quarter.

ACQUISITION OF SPRINGSURE

As previously announced on 4 March 2019 and 27 March 2019 the Company issued 9,230,769 TerraCom fully paid ordinary shares at an issue price of \$0.65 per ordinary share to Springsure Investments Limited to acquire a further 51% in Springsure Mining Pty Limited. TerraCom's ownership percentage of Springsure Mining Pty Limited has increased to 87%.

As at 31 March 2019 the Company had 406.22 million fully paid ordinary shares on issue.

FINANCIAL POSITION

Gross working capital of the Company as at 31 March 2019³ includes the following:

- Cash and Cash Equivalents – A\$32.7 million (increase of A\$18.2 million compared to 31 December 2018).
- Trade Receivables – A\$25.7 million.
- Inventory (at revenue realisation value) – A\$21.5 million.

FINANCIAL PERFORMANCE

3 Months Ending 31 March 2019³

Operating EBITDA of A\$22.9 million for the March 2019 quarter:

EBITDA	Mar 2019	Dec 2018	Change %	YTD 2019	YTD 2018	Change %
EBITDA (AU\$ '000)						
- Australia (Blair Athol)	24,633	28,566	-14%	85,593	7,551	1034%
- Mongolia (BNU)	148	1,842	-92%	(3,749)	4,146	-190%
- Corporate	(1,869)	(2,484)	-25%	(6,341)	(2,498)	154%
Total	22,912	27,924	-18%	75,503	9,199	721%
EBITDA (AU\$ / t)						
- Australia (Blair Athol)	42	47	-11%	47	12	286%
- Mongolia (BNU)	1	13	-95%	(7)	6	-216%
Total	28	37	-26%	33	7	347%

3 Months Ending 30 June 2019³

The Company is forecasting an Operating EBITDA of A\$38.4 million for the June 2019 quarter:

- I. Australia (Blair Athol) A\$28.7 million
- II. Mongolia (BNU) A\$11.2 million
- III. Corporate A\$(1.6) million

MINING TENEMENTS HELD AT THE END OF THE QUARTER

Tenement	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
MV-17162, MV-020800, MV-020803, XV-17163	100%	100%	Mongolia	Coal
XV-018142, XV-018797, XV-018802, XV-20281, XV-20539	100%	100%	Mongolia	Coal, Potash/ Gypsum, Brines
XV-020139, XV-020329	100%	100%	Mongolia	Coal
XV-12929	100%	100%	Mongolia	Coal
XV-018111, XV-018513, XV-020268, XV-12600, MV-19149, MV-16971	100%	100%	Mongolia	Coal
ML1804	100%	100%	Australia	Coal
EPC 1641	100%	100%	Australia	Coal
EPC 1300, EPC 1394, EPC 1477, EPC 1478, EPC 1479, EPC 2049	100%	100%	Australia	Coal
EPC 2047	100%	0%	Australia	Coal
EPC 1480, EPC 1574, EPC 2105	100%	0%	Australia	Coal
EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1964	100%	100%	Australia	Coal
EPC 1963	100%	0%	Australia	Coal
EPC 2503, EPC 2504	100%	0%	Australia	Coal
EPC 1250, EPC 1260	64.4%	64.4%	Australia	Coal
EPC 1674, MDL 3002	35.78%	87%	Australia	Coal
EPC 1103	100%	100%	Australia	Coal
EPC 2256	100%	100%	Australia	Coal
EPC 1872	100%	100%	Australia	Coal
EPC 1822	100%	100%	Australia	Coal

OTHER

Forward Looking Statement

This document contains summary information about, TerraCom, its subsidiaries, and its activities which are current as at the date of this document. The information in this document is general in nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in TerraCom or that would be required in a prospectus or product disclosure statement prepared in accordance with the Corporations Act 2001 (Cth). Information in this document should therefore be read in conjunction with other announcements made by TerraCom to the ASX.

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1– Refer to ASX Announcement on 20 March 2019 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 to ASX Announcement on 12 October 2018 for further information and clarification on the BNU production forecast. The material assumptions underpinning the BNU production target in this ASX Announcement continues to apply and has not materially changed. A proportion of the production target is classified as inferred mineral resource. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

3– Based on management accounts that have not been audited.

4 – Refer to ASX Announcement on 20 March 2019 for further information and clarification on the Blair Athol JORC Reserve increase. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement; and that all material assumptions and technical parameters in the announcement made in the original announcement continue to apply and have not materially changed.

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