



FOR THE QUARTER ENDED 31 DECEMBER 2019

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

HIGHLIGHTS

- ✓ Maiden Interim Dividend of 1 cent per share paid to shareholders.
- ✓ Completed the insurance bond resulting in \$27 million of the Restricted Cash held on the Balance Sheet being released back to TerraCom.
- ✓ Completed the acquisition of 19.995% of Universal Coal.
- ✓ Record Total Coal Sales for the 6 Months Ended 31 December 2019 of 1.66 million tonnes, an improvement of 7% on the prior record set.
- ✓ Record Blair Athol Coal Sales for the 6 Months Ended 31 December 2019 of 1.41 million tonnes, an improvement of 15% on the prior record set.
- ✓ Cash and Cash Equivalents as at 31 December 2019¹ of A\$67.0 million.
- ✓ Average achieved price for Blair Athol coal equated to a 10% discount when compared to the Newcastle 6000nar Index for the 6 months ended 31 December 2019.
- ✓ Blair Athol EBITDA for the 6 months ended 31 December 2019 was A\$21.6 million.
- ✓ Group Operating EBITDA¹ was A\$15.1 million.



¹ Based on management accounts that have not been audited.

PRODUCTION AND SALES

Thousands of tonnes (kt)	Dec 2019	Sep 2019	Change %	YTD Dec 2019	YTD Dec 2018	Change %
<u>Run-of-Mine (ROM)</u>						
Australia (Blair Athol)	772	731	6%	1,502	1,193	26%
Mongolia (BNU)	135	106	28%	241	248	-3%
Total	907	836	8%	1,743	1,441	21%
<u>ROM Strip Ratio</u>						
Australia (Blair Athol)	8.1	9.7	-16%	8.9	6.1	45%
Mongolia (BNU)	19.7	22.4	-12%	20.9	14.0	49%
<u>Saleable Production</u>						
Australia (Blair Athol)	627	698	-10%	1,325	1,145	16%
Mongolia (BNU)	135	106	28%	241	248	-3%
Total	762	804	-5%	1,565	1,393	12%
<u>Coal Sales</u>						
Australia (Blair Athol)	611	797	-23%	1,408	1,219	15%
Mongolia (BNU)	127	127	0%	254	261	-3%
Total	738	924	-20%	1,662	1,480	12%
<u>Inventory (ROM)</u>						
Australia (Blair Athol)	79	62	28%	79	110	-28%
Mongolia (BNU)	0	0	0%	0	0	0%
Total	79	62	28%	79	110	-28%
<u>Inventory (Saleable)</u>						
Australia (Blair Athol)	165	165	0%	165	107	54%
Mongolia (BNU)	37	29	27%	37	54	-32%
Total	202	194	4%	202	161	25%

OPERATIONS

Australia (Blair Athol)

The Blair Athol Mine achieved coal sales for the 6 months ended 31 December 2019 of 1.4 million tonnes, an improvement of 15% on the prior corresponding period. These coal sales exclude a 74,297 tonne shipment which concluded loading at the port on the morning of 2 January 2020, noting that all of the coal was at the port by 31 December 2019 for this shipment. Had this shipment been loaded, the Blair Athol Mine would have concluded the 6 months ended 31 December 2019 with 1.5 million tonnes of coal sales for the period.

The platform has now been established for the Company's Blair Athol Mine to achieve total forecast coal sales of 3 million tonnes² in the 2020 financial year.

Rehabilitation

The most recent Financial Assurance decision for the Blair Athol Mine was issued by Queensland's Department of Science (DES) on 2 July 2019, reflecting a reduced Financial Assurance of approximately \$72 million.

Subsequent to quarter end, on 9 January 2020, the Company announced it had completed the insurance bond resulting in \$27 million of the Restricted Cash held on the Balance Sheet being released back to TerraCom.

Whilst the Blair Athol rehabilitation bond facility is for approximately \$72 million, the required cash backing for the facility is only \$45 million. This demonstrates that an independent third party has assessed the maximum rehabilitation exposure at the Blair Athol Mine to be no more than A\$45 million.

The Blair Athol Mine continues to advance its rehabilitation activities.

Image: Blair Athol – Dragline and Excavator in operation



² 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.

Image: Blair Athol – Train being loaded at the Train Load out



Mongolia (Baruun Noyon Uul)

During the quarter, the Baruun Noyon Uul Mine (BNU) finalised the transition to third party mining services provider, Khishig Arvin. The major focus of the quarter has been on planning, preparation and early stage development works for our newest mining area which underpins the production ramp.

BNU continued its long standing commitment and successful community support program to the local soum committing to provide improved mobile phone coverage with a satellite antenna and procurement of furniture and medical equipment for the new hospital.

Image: BNU – Existing Opencut Operations



SAFETY

TerraCom promotes health and safety as a core value of the business. The wellbeing of our people is a key driver and the Company is committed to providing a safe working environment, whilst ensuring production targets are achieved.

During the quarter; TerraCom, along with our business partners and contractors, continued to focus on proactive management of high-risk activities, elimination of workplace injuries and enhancing the positive safety culture within the workforce.

The Company's Blair Athol Mine in Australia achieved 12-months lost time injury free resulting in a lost time injury frequency rate (LTIFR) of zero.

EXPLORATION

TerraCom is currently finalising plans with a view to recommence exploration activity in the 2020 calendar year on some of its Australian tenements.

CORPORATE

MAIDEN DIVIDEND

On 23 October 2019, the Company declared a maiden dividend of 1 cent per fully paid ordinary share held. The dividend was an interim dividend, was unfranked and paid to shareholders on 13 November 2019.

The Board's adopted dividend policy is to pay a minimum dividend of 1 cent per fully paid ordinary share per 6 month reporting period.

DEBT RE-FINANCE

Placement of Insurance Bond

As noted above, on 9 January 2020, the Company announced it had completed the insurance bond resulting in \$27 million of the Restricted Cash held on the Balance Sheet being released back to TerraCom.

Convertible Bond

The Convertible Bond for US\$20 million, as approved by shareholders at the 2019 Annual General Meeting, was issued to OCP Asia in late December 2019.

SUBSTANTIAL INTEREST IN UNIVERSAL COAL PLC

On 30 October 2019, TerraCom reached a binding agreement to purchase a substantial shareholding in Universal Coal Plc (**Universal** or **UNV**) (ASX: UNV) via the acquisition of approximately 19.995% of the issued capital of Universal (representing 104.5 million securities) from one of UNV's major shareholders (Coal Development Holding B.V.).

The purchase price for the acquisition was A\$34.6 million via a combination of:

- I. Cash \$17.3 million; and
- II. TerraCom Equity – 34.2 million fully paid ordinary shares in TerraCom at a deemed issue price of A\$0.5061.

The acquisition of the substantial interest in Universal aligns with the Company's ongoing corporate strategy by enabling the Company to enter into an emerging market, yet at the same time reducing the Company's sovereign risk profile with new investments in South Africa.

FINANCIAL PERFORMANCE

EBITDA

For the 6 months ended 31 December 2019 the Company achieved an EBITDA of \$15.1 million.

Australia (Blair Athol)

Blair Athol contributed \$21.6 million:

- Average EBITDA (cash) margin of \$15 per sold tonne.
- Average revenue of \$89 per tonne.
 - Blair Athol continues to perform strongly in a depressed thermal coal market.
 - The average Newcastle 6000nar Index for the 6 months was equivalent to approximately US\$68 per tonne. With this in mind, the average discount applied to Blair Athol coal compared to the Newcastle 6000nar Index was approximately 10%.
- Average cash costs excluding marketing fees and royalty of \$66 per coal sold tonne. The Company is on target to achieve its forecasted \$58 per coal sold tonne during the current financial year.

FINANCIAL POSITION

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

- Cash and Cash Equivalents – A\$67.0 million⁴.
- Trade Receivables – A\$22.3 million.
- Inventory (at revenue realisation value) – A\$22.1 million.

³ Based on management accounts that have not been audited.

⁴ Includes the \$27 million received in January 2020 as part of the insurance bond completion.

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-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 2049	100%	100%	Australia	Coal
EPC 1479	100%	0%	Australia	Coal
EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1964	100%	100%	Australia	Coal
EPC 1250, EPC 1260	64.4%	64.4%	Australia	Coal
EPC 1674, MDL 3002	87%	87%	Australia	Coal
EPC 1103	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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This document does not constitute an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any security in any jurisdiction.

This announcement is dated 31 January 2020 and has been authorised by the Company's Disclosure Committee.

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About TerraCom Limited

TerraCom Limited (ASX: TER) is an emerging company originating as a resource explorer with a large portfolio of operating assets in Mongolia and Queensland, Australia. We are currently enacting a growth strategy towards delivering a Mid-Tier diversified operating and trading business and have a global focus on the development of a high yielding diversified asset portfolio for its investors. To learn more, please visit www.terracomresources.com.