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Business Activities Update

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to provide an update on positive progress made across on a number of critical business activities.

BNU Hard Coking Coal Mine

The recommissioning of BNU Coal Mine in the South Gobi in Mongolia is complete and the mine is in full production.

This follows on from the binding long form offtake agreement which has been executed with the wholly owned subsidiary of the Kingho Group, one of the largest private coal companies in China, for a 5.5 year offtake of hard coking coal (HCC) produced from the BNU Coal Mine. This will provide for an estimated 7.5Mt of coal sales and will deliver strong and sustainable margins in the current market.

TerraCom has been implementing an alternative and more efficient supply chain for its BNU Operations during the 2016 calendar year. The Kingho Offtake Agreement was the final piece on the implementation of this alternate supply chain. The Company is excited about the recommencement of mining operations enabling the business to capitalise on the strong coking coal market and the subsequent considerable benefits of the alternative supply chain with new partner the Kingho Group.



Images: recent safety inductions at BNU.



Images: recent mining production activities at BNU.

Blair Athol Mine Acquisition

As previously announced, TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd has reached binding agreement to acquire the Blair Athol Coal Mine (BA or mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV) subject to certain conditions precedent.

TerraCom has submitted to the Queensland Government (GoQ) an application for an Indicative Approval for Title Transfer of BA. The Department of Natural Resources and Mines (DNRM) have advised they are still progressing this assessment.

TerraCom has executed a contract with Link Mining Services Pty Ltd (Link Mining) for a full service mining and rehabilitation contract at the Blair Athol coal mine. The agreement is for 5 years and will cover all operational aspects. The contract will become effective on mining lease title transfer.

TerraCom and Link Mining, the engaged Mining and Rehabilitation contractor, have been progressing detailed mobilisation and integration plans which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team upon title transfer and enable operations to commence as quickly as possible following title transfer.

TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. The operation is planned to deliver approx. 2Mtpa of coal and ongoing progressive rehabilitation.

Funding

TerraCom has previously announced that there is in excess of AU\$23 million available in funding linked to completion of the BA acquisition:

- The Link Mining contract for BA provides for AU\$11.6 million; and
- TerraCom has also secured US\$12m in a separate funding agreement.

The longer than anticipated timeframe for the processing of the BA title transfer has delayed the release of these funds resulting in the Company taking the decision to raise the AU\$4m as per recent placement announcement to enable work on BNU Mine recommissioning and BA Mine preparation to continue.

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TerraCom has fully commissioned the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia. 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 is also focused on developing two priority projects in Queensland, Australia: the large thermal coal Northern Galilee Project and the high energy prime thermal coal Springsure Project.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. In this regard, the Company has announced that it has reached agreement to acquire the Blair Athol Coal Mine (BA) in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in early 2017. The approval for transfer of the BA mining lease is progressing through the Government of Queensland process.

The combination of BNU HCC Mine and the Blair Athol Thermal Coal Mine positions TerraCom well to capitalise on the strong coal coking and thermal coal markets through recommencement of operations at both BNU Mine and BA Mine by the end of 2016.

The Company is also evaluating the acquisition of a hard coking coal mine in Kalimantan, Indonesia, a 500,000 tpa operation located in close proximity to road, barge and port infrastructure connecting it to the seaborne coal market.

Please contact Nathan Boom, on +61 2 4268 6258 or at info@terracomresources.com for further information.



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