



QUARTERLY REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2016

TerraCom Limited (“**TerraCom**” or the “**Company**”) (**ASX: TER**) is pleased to present its quarterly activities report for the period ended 31 December 2016.

HIGHLIGHTS

Corporate

- Continued strong signs of sustained commodity price recovery in both coking and thermal coal markets. Thermal coal closed the quarter at ~US\$94 per tonne (up 88% year to date from US\$50) and coking coal closed the quarter at ~US\$225 per tonne (up 195% year to date from US\$76).
- Following successful roadshows in Australia and Asia finalised a strategic share placement of AU\$4.0 million at \$0.03 with new and existing Institutional and Sophisticated investors.

Mongolia

- TerraCom through its wholly owned Mongolian subsidiary executed binding long form definitive agreements with a 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 produced from the BNU Coal Mine in the South Gobi in Mongolia. The agreement is for a total of approximately 7.5 million tonnes over the term and has pricing linked to a commercially in confidence mine gate pricing structure that reflects the seaborne market. Payment terms are USD in the form of 100% Irrevocable Letter of Credit issued by a first-class international bank.
- Recommencement of full mining operations at the Company’s BNU Coking Coal Mine in the South Gobi in Mongolia.

- The CHPP feasibility study was approved by Mineral Professional Council (MPCM). Currently, we are waiting for final Resolution of Chairman of Mineral Professional Council Meeting.
- Subsequent to the end of the quarter, the Company is pleased to announce coking coal is flowing from the BNU Mine 10 days ahead of schedule to support the recently executed Kingho agreement.
- Subsequent to the end of the quarter, the first 100% USD Irrevocable Letter of Credit (LC) has been received from the Kingho Group under the new sales offtake agreement for January / February 2017 production tonnes from the BNU mine.

Australia

- TerraCom has remained actively engaged with the Queensland Government on the progress of the Indicative Approval for Title Transfer of the Blair Athol Coal Mine.
- TerraCom also received Australian Government - Foreign Investment Review Board (FIRB) approval for the acquisition of the Blair Athol Coal Mine by its wholly owned subsidiary Orion Mining Pty Ltd.
- TerraCom's Blair Athol mine plan is 7 years at ~2Mtpa.
- TerraCom secured US\$12m in a separate funding agreement to support the commissioning of the Blair Athol Coal Mine.
- TerraCom executed a contract with Link Mining Services Pty Ltd (Link Mining) for a full service mining contract at the Blair Athol coal mine. The agreement is for 5 years and will cover all operational aspects. A key element of the Link Mining contract is the provision of AUD\$11.6 million in funding towards the Project.
- TerraCom and Link Mining have almost completed the detailed Mobilisation and Integration plans which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team.

Business Development

- Early stage exploration commenced on the **Uvs Project** which contains multiple commodity targets in North West Mongolia. The basin is prospective for coal; evaporate salts (potash), uranium, and associated brines and clays (Lithium (Li) and Magnesium (Mg)). Detailed 2D insitu mapping, sampling, archaeological and paleontological survey across 22,000 hectares was positive and determined the licences contained the evaporite gypsum outcropping within the target mid Devonian Tserd Uul (D2cr) formation.
- Positive exploration results from multiple trenching and drill holes in the **BNU Hard Coking Coal Mine** in the South Gobi Project in Mongolia. enabling further expansion and

optimisation of existing BNU Pit 1 and Pit 2 plus improving definition of the next development Pit 3.

- Execution of Asset Sale Agreement for EPC1103 (Fernlee Project) from the Liquidators of Fernlee Coal Pty Ltd (In Liquidation) and have applied for DNRM indicative approval for transfer of the tenement to TerraCom who will wholly own the tenement. The Fernlee Project adjoins the EPC1674/MDL3002 (**Spingsure Project**) and is seen as a key strategic transaction for TerraCom providing additional scale to the Project due to the potential to expand the Spingsure Project MDL area to the East and North East into the Fernlee Project.
- Continued the evaluation of 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 looking towards completion of due diligence in 1st quarter 2017.

CORPORATE STRATEGY AND OPERATING ENVIRONMENT

During the quarter there continued to be strong signs of sustained commodity price recovery in both coking and thermal coal markets.

- Thermal coal reached ~US\$110 per tonne in November 2016 and closed the quarter at ~US\$94 (up 88% for the calendar year from US\$50).
- Coking coal reached ~US\$309 per tonne in November 2016 and closed the quarter at ~US\$225 per tonne (up 195% for the calendar year from US\$76).

Whilst this is extremely promising this sharp movement is representative of the market volatility which the mining industry continues to work through. The Company is confident that sustained prices (including small downward price corrections) during the next couple of quarters will remove a substantial portion of the market volatility still being faced by the industry.

SHARE ISSUE TO STRATEGIC INVESTORS

Following successful roadshows in Australia and Asia TerraCom finalised a placement in December for AU\$4.0 million to new and existing Institutional and Sophisticated investors. The issue price per share was \$0.03 which resulted in 133,333,333 fully paid ordinary shares being issued (Placement). The Placement was undertaken pursuant to TerraCom's 15% capacity under ASX listing rule 7.1.

Foster Stockbroking Pty Ltd, as Lead Manager to the Placement, focused on introducing new institutional investors to TerraCom's share register who recognize TerraCom's potential as a major coal producer listed on the ASX.

AGM HELD IN BRISBANE

TerraCom held its AGM on 30 November 2016 in Brisbane. The Company proposed 12 resolutions and all were resolutions were voted in favour. This positive view by the majority of shareholders demonstrates the support shareholders have for the Directors and Management team of TerraCom.

OPERATIONS - MONGOLIA BNU

OPERATIONS

BNU operations recommenced on 18 November 2016 after an extensive induction, training, and equipment competency training process. Mine planning and operations is well advanced and focused on meeting the initial requirements of the 5.5-year offtake agreement with Kingho Group.

WAE mobilized a full fleet of Caterpillar equipment in support of BNU operations and will manage Heavy equipment maintenance going forward. Site infrastructure has been upgraded after the standby period and all is ready to support mining production.

SAFETY

The BNU site maintains its LTI free status over 1.72 million hours and is poised to ensure this safety record is maintained going forward.

PRODUCTION

No coal was exported from BNU and no coal washing took place in December 2016. However, the sale and delivery of middlings and slime to customers was concluded.

Production focused on re-start and the removal of overburden to expose HCC.

	2016/2017 Q1	2016/2017 Q2	2016/17 YTD
Rom coal production (tonnes)	0	0	0
Overburden removed (BCM)	0	288,012	288,012
Coal trucked to China (tonnes)	0	0	0
Coal washed (tonnes)	46,215	0	46,215
Overall gross product yield	91%	0	91%
Prime HCC delivered to Customers (tonnes)	32,860	9422	42,282
Other Coal delivered to customers (tonnes)	1800	11,848	13,648
EOM ROM Stocks (tonnes)	40,049	41,007	41,007

BNU ON SITE CHPP

TerraCom continues to advance the development of a Mongolia based Coal Handling and Processing Plant (CHPP) for the Baruun Noyon Uul (BNU) operations in the South Gobi. The Mongolia CHPP strategy provides a pivotal asset in controlling the volume and quality of coal supplied from BNU through the Shivee Khuren and Ceke border into China. It will also allow TerraCom to claim back full VAT credit from the BNU operating costs, adding significant NPV value to the existing and future projects in the basin. The CHPP is to be vendor financed.

TerraCom have signed a term sheet and almost completed the long form contracts with Guohua Technology Corporation (GTC), a highly experienced, competent and competitive CHPP provider from

Tangshan, China. GTC have designed and built over 500 wash plants in China. GTC currently have more than 10 patented technologies that are widely accepted within the China coking coal processing industry.

GTC will be incorporating a number of these patented technologies into the BNU CHPP including the “gravity fed three product HM cyclone”, the “fine coal HM cyclone”, inline analysis and control systems and their patented flotation cell technology. This technology results in lower capital and operating costs compared to conventional Dense Medium Cyclone plants, and also for meaningfully lower water consumption. The plant will produce dry rejects and tailings slime, alleviating the need for a Tailings storage facility with associated complex management systems. General engineering is complete and detailed engineering will advance with manufacture in China of the modular plant and construction activities on site beginning early in Q-2 2017.

Start up and commissioning of the plant is expected to be begin at midyear 2017.

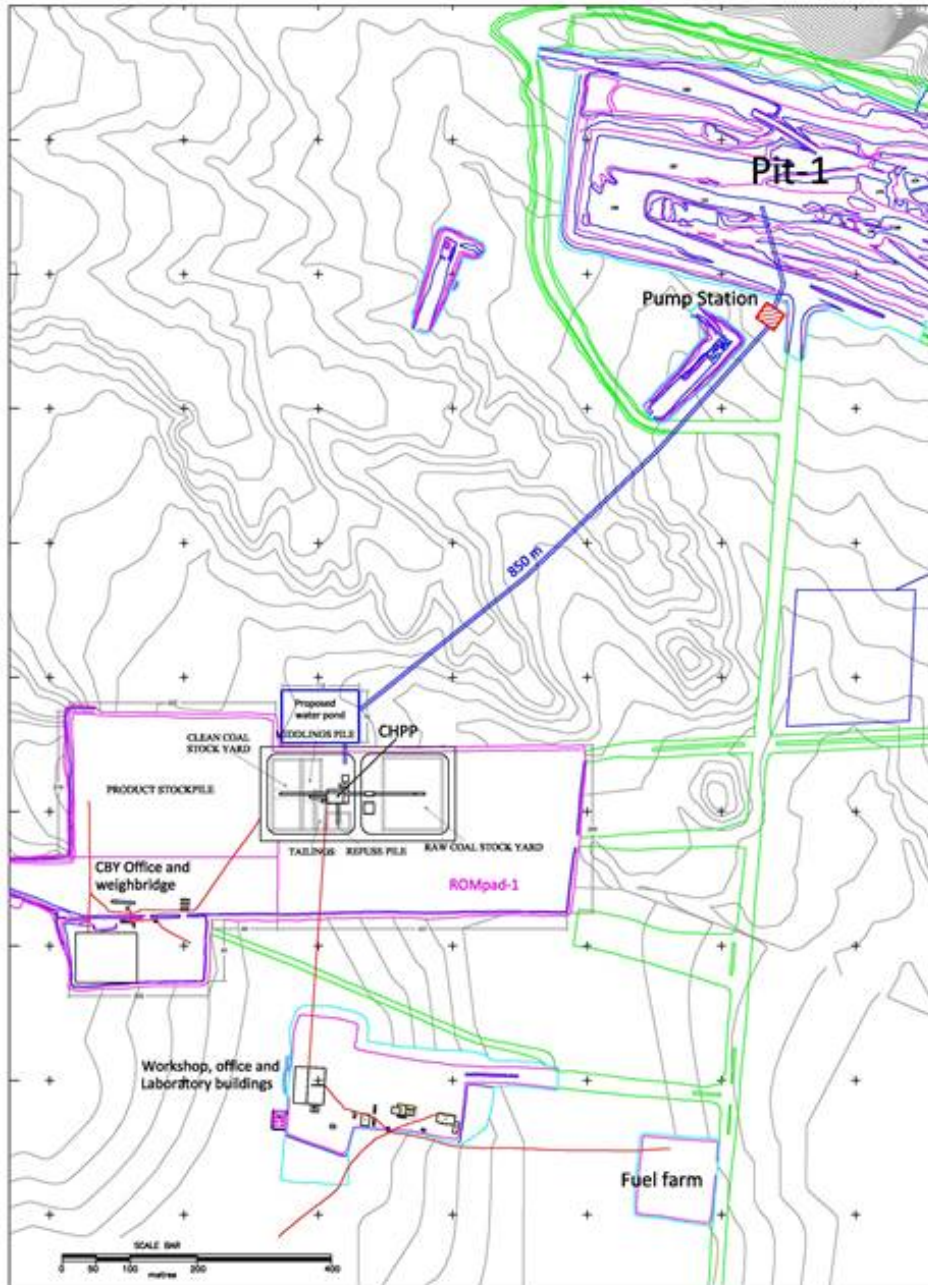
GTC and its subsidiary GT Global, and TerraCom jointly participated in preparation of a feasibility study in compliance with all Mongolian regulations and authorities in order to gain approval to construct the facility. The feasibility defined a CHPP with the following key parameters:

Plant Design Parameters	
Throughput	170 – 250tph
Annual Mech Availability	6,500 hours
Plant Life	15+ years
Plant Style	Modular

GTC and TER have agreed to develop a modular style plant, which allows for the later relocation of the facility to support the multi pit strategy adopted by TerraCom for the South Gobi operations. The modular plant is completely self-sufficient with built in diesel power generation and coal fired boiler heating and can be transported on rail/road trucks without the need for oversize load management.

The CHPP will be located in line with our current ROM to customs bonding process, with ready access to water sufficient for the coal processing from the mine operations.

Below is a simple schematic of the plant layout:



BUSINESS DEVELOPMENT – MONGOLIA

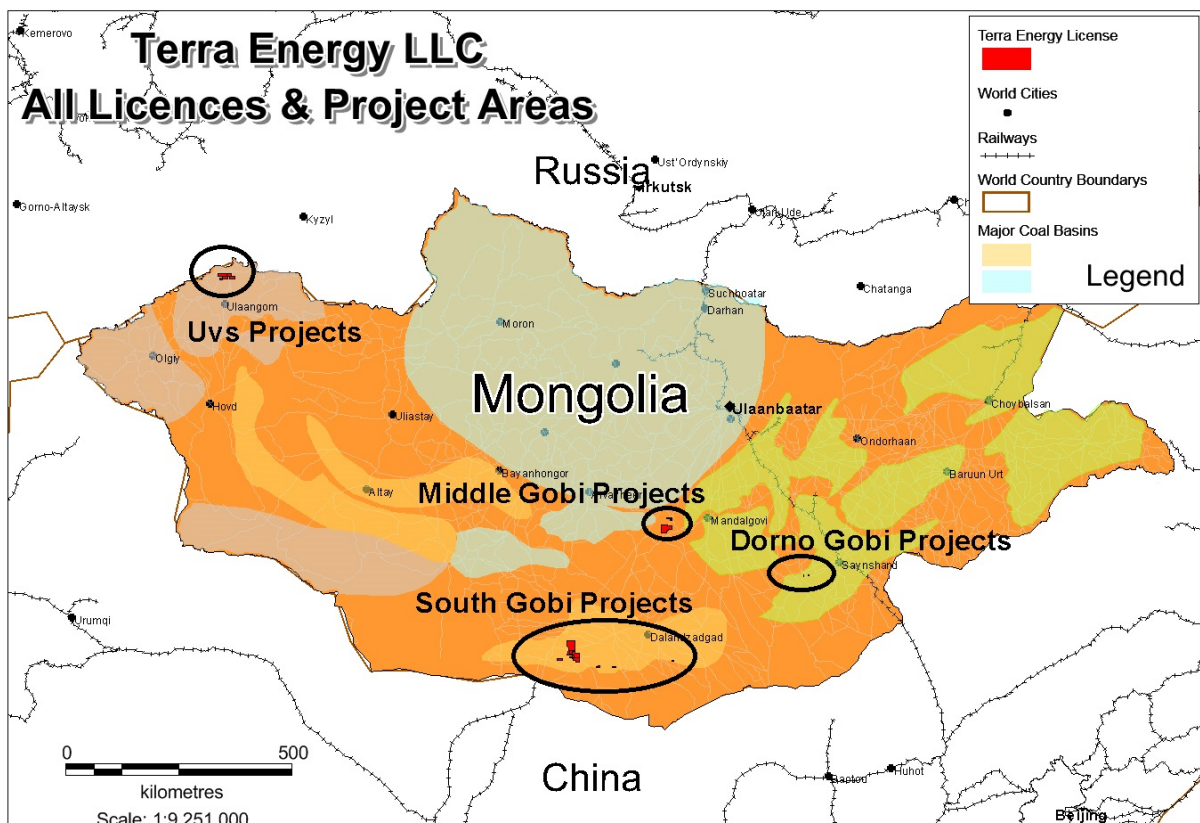
UVS PROJECT

The Uvs project is a strategic project for Terra Energy containing multiple commodity targets in North West Mongolia. The basin is prospective for coal; evaporate salts (potash), uranium, and associated brines and clays (Lithium (Li) and Magnesium (Mg)).

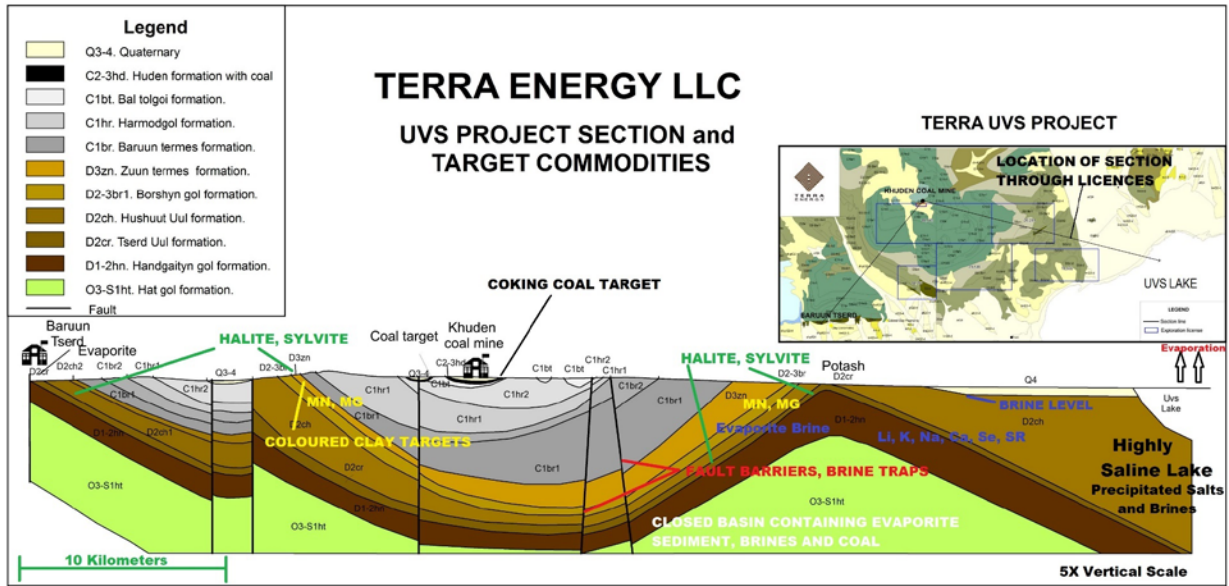
Early stage exploration commenced, with detailed 2D insitu mapping, sampling, archaeological and paleontological survey across 22,000 hectares on five licences. Detailed mapping was undertaken updating historical mapping across Devonian and Carboniferous outcrops and providing detailed information on formation boundaries, rock types and geological structure.

The extensive mapping determined the licences contained the evaporite gypsum outcropping within the target mid Devonian Tserd Uul (D2cr) formation. The Tserd Uul formation outcrops extensively across the Uvs licences in a synform basin containing predominately ductile and brittle deformation.

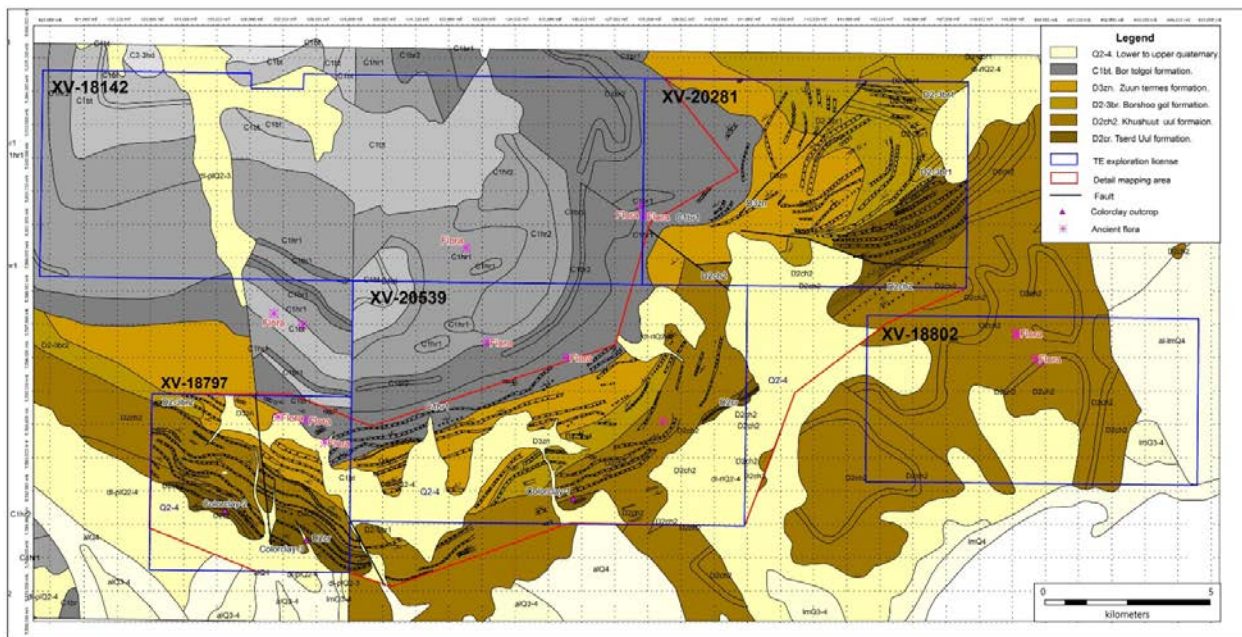
This insitu mapping defined the 2D structure, and will be followed up with radio metrics to target marker units such as Potassium (K+). These markers are anticipated to identify sylvite, an evaporite mineral. This stage will further define the 3D structure using electronic survey to determine the existence of brines due to their high conductivity.



UVS PROJECT – ON RUSSIAN BORDER IN NORTH WEST MONGOLIA



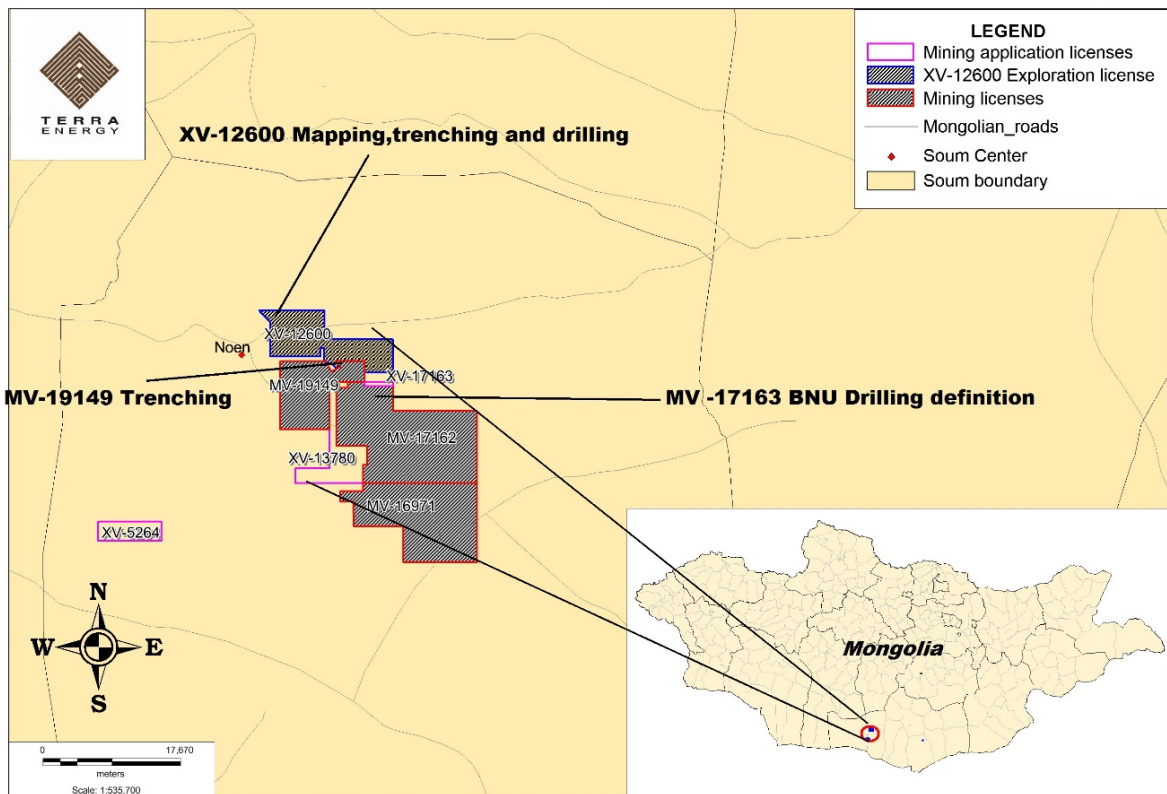
UVS PROJECT TYPICAL CROSS SECTION



UVS PROJECT DEVELOPMENT WORKS - MAPPING

SOUTH GOBI EXPLORATION UPDATE

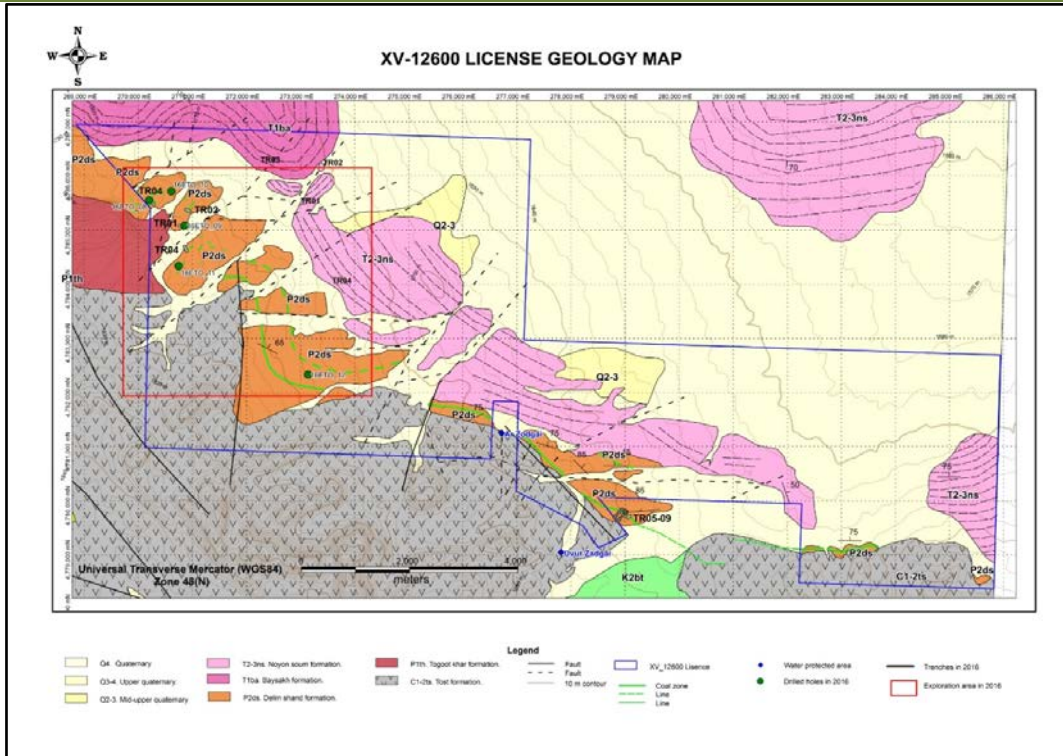
The Terra Energy team completed exploration and definition drilling across both exploration and mining licenses on the South Gobi project. Exploration mapping, trenching and drilling was conducted on license XV-12600, trenching was completed on the northern edge of mining license MV-19149 (Khar Servegen) and definition drilling was completed on mining license MV-17162 (BNU Mine).



SOUTH GOBI DEVELOPMENT WORKS

XV-12600 MAPPING, TRENCHING AND DRILLING

XV-12600 sits on a basin to the North of Khar Servegen and BNU. The target area is 16 kilometres of shallow outcropping coal that sits along the basin edge. Exploration in the quarter included extensive mapping followed by trenching and drilling in the north west of the exploration license. Mapping initially identified coal occurrences at the surface that will be further explored by detailed trenching and drilling. Four trenches were complete with up to 16 seams intersected generally the seams were thin with intersections ranging from 0.1m to 1.8m. Five PCD drill holes were completed, each hole was downhole geophysical surveyed. Four of the five holes intersected coal of varying thickness.



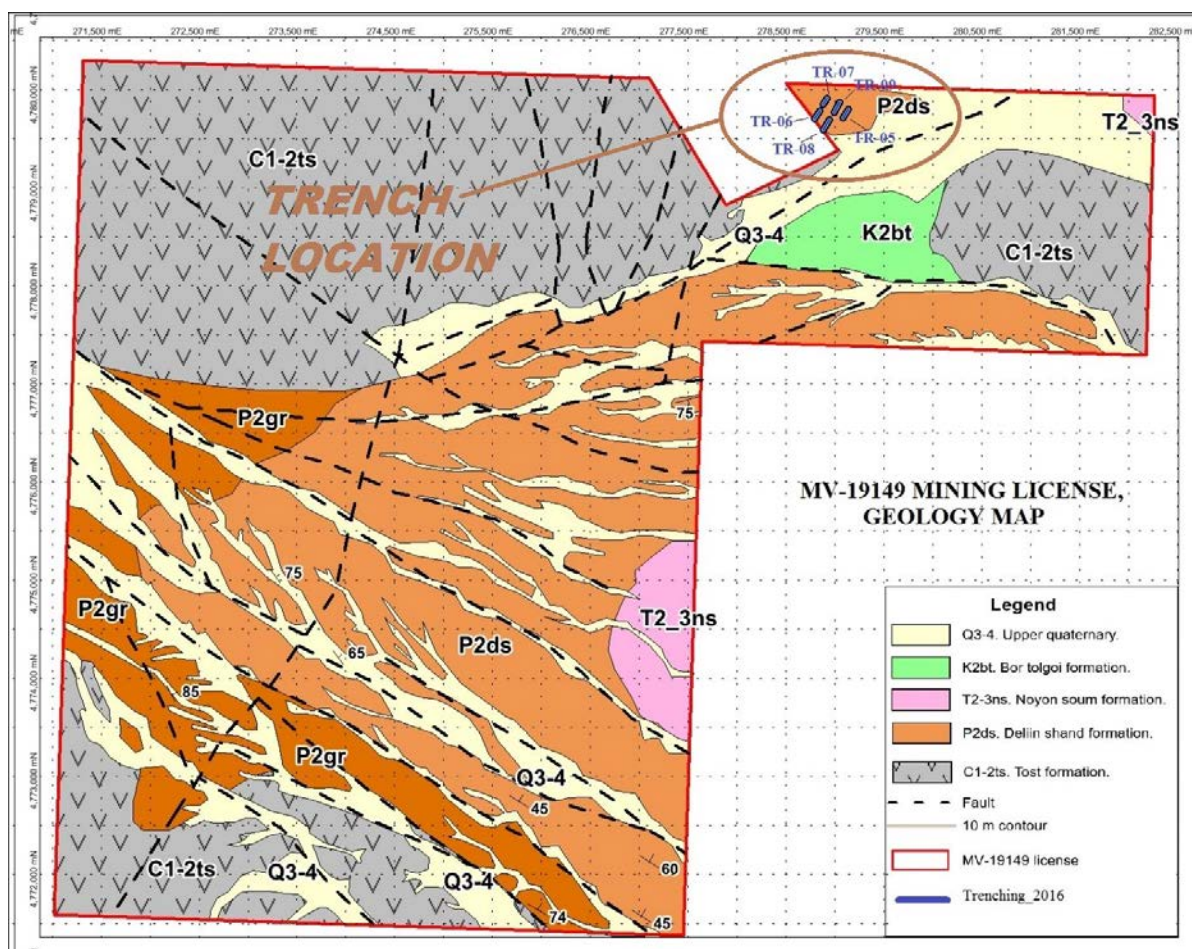
XV-12600 EXPLORATION WORKS



XV-12600 DRILLING WORK IN PROGRESS

MV-19149 (KS North)

Khar Servegen North mining license is along strike west of current mining operations at BNU. Trenching was carried out in a target area to the north of the current KS North JORC resource on the northern basin adjacent to exploration license XV-12600. Five trenches in the north of mining license MV-19149 were completed. Up to five seams were intersected and sampled coal thickness ranging from 0.3 to 2m. Generally, dips of the Permian Dellin Shand formation ranged from 30-70 degrees. Further investigation of the structure and nature of the resource in this area will continue.



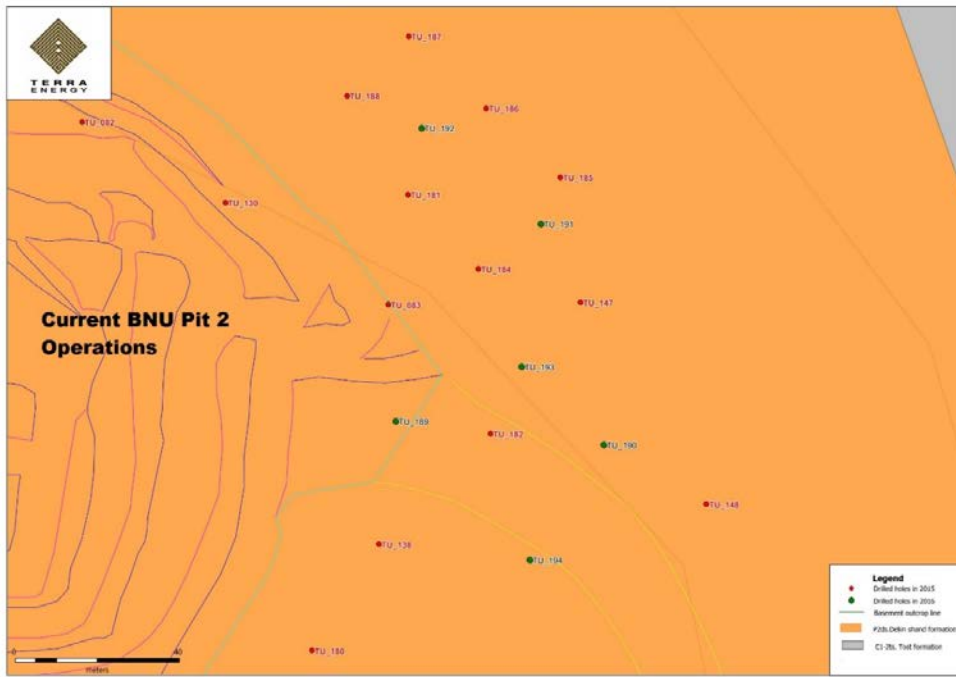
MV-19149 KS NORTH TRENCH LOCATION

MV-17162 BNU Mine

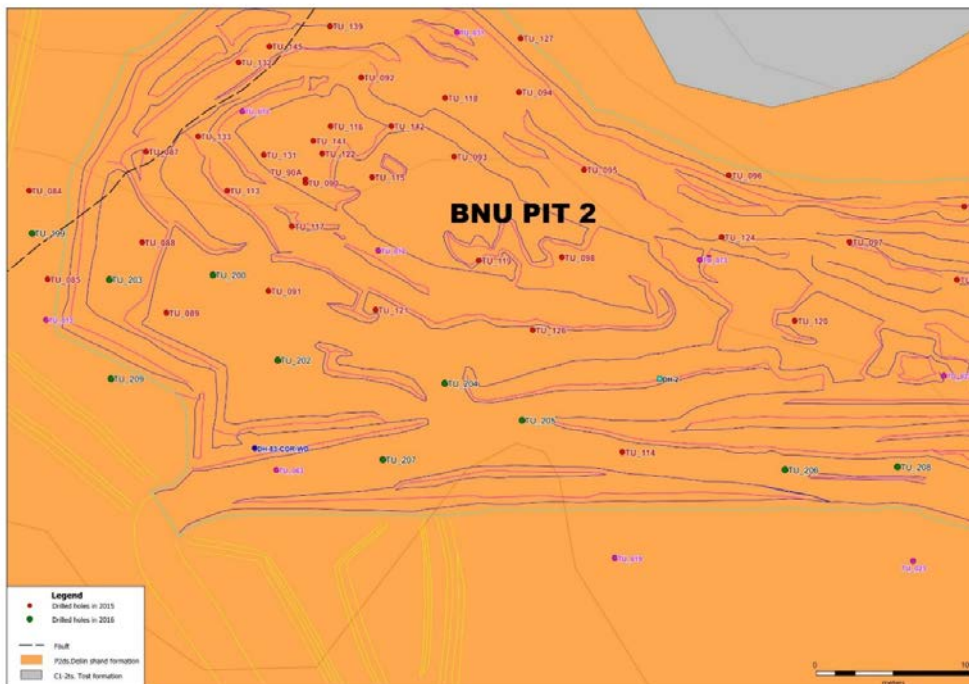
Definition drilling works on MV-19149 BNU Mine Pit 1 and Pit 2 were completed; Twenty-two PCD and PQ holes drilled for model development control, pit expansion, updated optimisation and coal quality evaluation. Drilling targeted both the extension of the current Pit 2 high wall, eastern extension and the current Pit 1 western development areas. All holes had full downhole geophysical survey.

Works included six holes east of Pit 2 for a total of 374m this included detailed coal analysis on cored holes. Drilling targeted a coal depositional zone east of Pit 2 shell. In total two coal quality PQ holes and four PCD

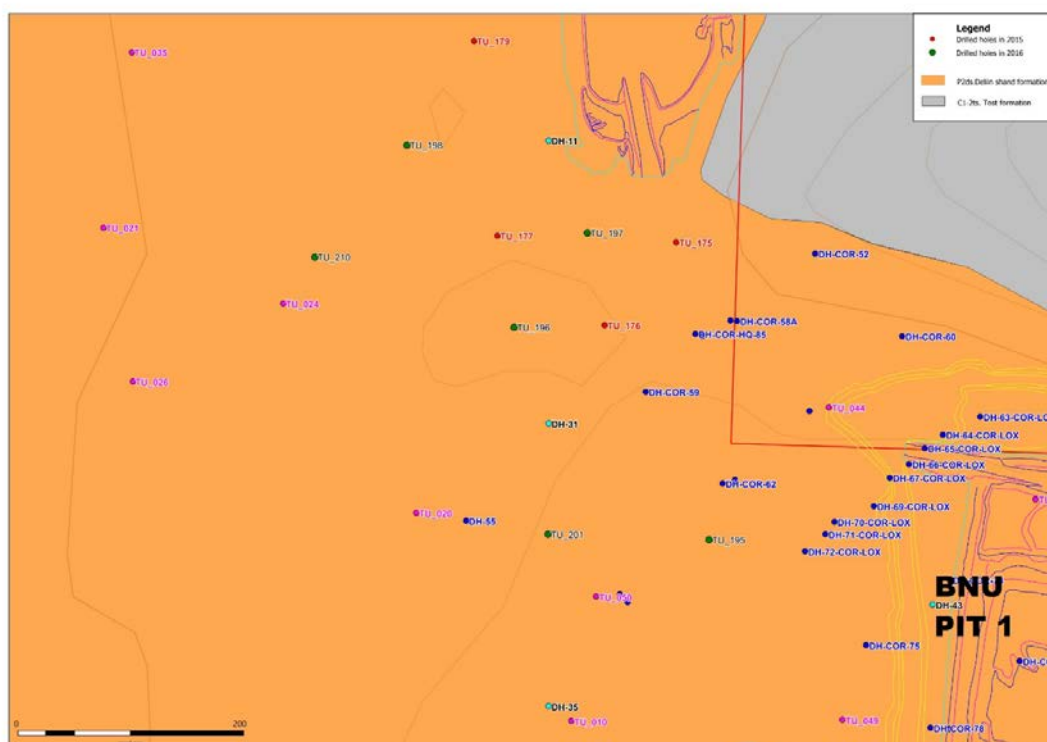
holes were drilled. South of Pit 2 high wall, 10 PCD drill holes completed for a total of 1146m. Drilling targeted the current Pit 2 operations down dip. West of Pit 1 six PCD holes were drilled for a total of 665m. Drilling targeted a low strip ratio zone west of Pit 1.



PIT 2 EAST EXTENSION



PIT 2 HIGH WALL EXTENSION DEFINITION WORKS



PIT 1 WEST DEFINITION DRILLING

NEW MINING LICENSE

South Gobi Mining Licenses applications XV005264, XV13780 and XV-17163 are understood to be close to approval with MRPAM (Mineral Resource and Petroleum Authority of Mongolia). Delays have occurred due to National and Regional Government changes.

COAL BED METHANE LICENSE

The CBM license for the South Gobi exploration remains under negotiation due to the recent National Government election. Terra Energy continues to work with the new Government department to obtain the license that will provide a strategic holding for Terra Energy, adjacent to its current South Gobi operations.

OPERATIONS – AUSTRALIA BLAIR ATHOL

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

The acquisition price is AUD\$1 and TerraCom will receive AUD\$80m from the BACJV (vendor) to meet Blair Athol Coal Mine's rehabilitation liability as determined by Queensland's Department of Environment Heritage Protection in November 2015. The Financial Assurance will be provided as cash to be held in a bank account approved and controlled by the Queensland Department of Natural Resources and Mines.

The acquisition includes the mining lease, related licenses, land, active contracts and all mining plant & equipment, including a dragline, to deliver TerraCom's forecast production schedule and the progressive rehabilitation. All site infrastructure including offices, workshops and stores associated with the mine are also included in the transaction.

The Blair Athol Coal Mine ceased production under its current management in late 2012 and has been maintained in good condition. TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. The operation is planned to deliver 2Mtpa and ongoing progressive rehabilitation, with a target of operations recommencing in the 1st Quarter 2017.

The recommencement of mining at Blair Athol Coal mine is forecast to deliver TerraCom positive cash flow through a low overhead structure and operational efficiencies. This has been further bolstered by increased prices in the seaborne thermal coal markets compared to Q3 2016 pricing assumptions.

Blair Athol also provides TerraCom with comprehensive mine facilities and an established mining operation as a regional hub in Queensland to support expansion plans through various acquisition and expansions plans.

Approvals

TerraCom has submitted the requisite detailed and supporting documentation to the Queensland Government for assessment for an Indicative Approval for Title Transfer. This process has continued to progress and TerraCom remain actively engaged with the relevant Queensland Government departments.

TerraCom has received Australian Government - Foreign Investment Review Board (FIRB) approval for the acquisition of the Blair Athol Coal Mine by its wholly owned subsidiary Orion Mining Pty Ltd. Whilst TerraCom is a proud Australian Company it has a share register that consists of a majority of non-Australian investors.

Funding

TerraCom has secured US\$12m in a separate funding agreement (the Facility) to support the commissioning of the Blair Athol Coal Mine, this is in addition to the Link Mining Services facility.

The Facility will be provided according to a progressive drawdown schedule linked to pre-agreed milestones and cashflow requirements in order to expedite the commissioning and start-up of the mine. The Facility incurs interest of 9% per annum and is split into two parts: (i) US\$3m repayable over 12 months from the date of commissioning and (ii) US\$9m provided on a rolling basis for 5 years. The Facility is being provided by an international group with in-depth knowledge of the Australian mining industry.

A key element of the Link Mining Services Pty Ltd (Link Mining) contract is the provision, through Link Mining, of AUD\$11.6 million. The funding will be utilized as follows:

- AUD\$4.1 million be paid to TerraCom to be utilised for general working capital requirements; and
- AUD\$7.5 million be paid for upfront recommencement mining and beneficiation costs.

The provision of the funding has resulted in Link Mining paying for all material mining and beneficiation recommencement costs and thereby reducing TerraCom's exposure substantially for recommencement cost activities.

Operations

TerraCom has executed a 5 year contract (with an option to extend) with Link Mining for a full service mining contract at the Blair Athol coal mine covering all operational aspects at Blair Athol for mining and rehabilitation works. The contract will become effective on mining lease title transfer.

TerraCom and Link Mining have completed detailed Mobilisation and Integration plans which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team. Key personnel across the TerraCom and Link Mining teams have been appointed, including site SSE and all senior health and safety, technical and financial roles. The recruitment process for all coal mine workers has commenced.

TerraCom have also executed a Sale and Purchase Agreement with Sedgman Pty Limited (Sedgman), a member of the CIMIC group, to acquire the Coal Preparation Plant currently located on site at the Blair Athol Coal Mine. This will enable TerraCom to fulfill customer requirements in various segments of the thermal coal market to maximize value at the Blair Athol Mine.

Solar Project

TerraCom have engaged Quantum Group to investigate the construction of a 60Mw Solar Power Station on rehabilitated land at the Blair Athol mine site. This construction and subsequent land use will increase the economic value of the property and allow Blair Athol to become an important part of Queensland achieving its renewable energy targets.

BUSINESS DEVELOPMENT – AUSTRALIA

SPRINGSURE PROJECT

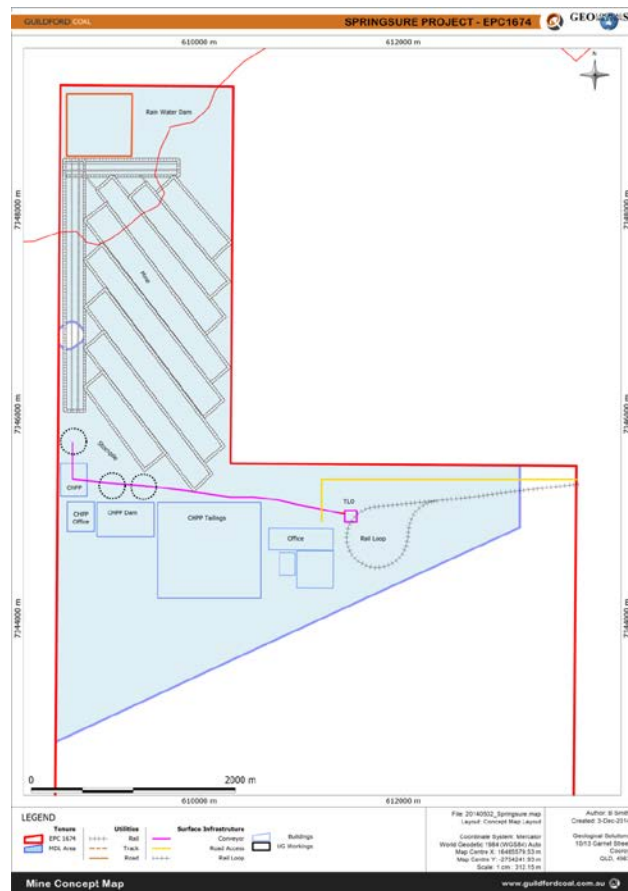
The Springsure Project (MDL 3002 and EPC 1674) area covers a total area of 34.2km² and is made up of 11 sub-blocks approximately 8km north of the town of Springsure on the Gregory Highway in the Springsure Region.

TerraCom Limited is a 36% shareholder in Springsure Mining Pty Ltd and the Springsure Project Manager.

The Project area occurs on strike with Minerva Coal Pty Ltd's Minerva South and Minerva No.1 mines which are located approximately 3km to the north. The Minerva Open-Cut mine is a multi-seam mine designed with a production capacity of 2.8 Mtpa high quality thermal coal resources within the Reids Dome Beds coal measures. The Minerva rail spur line transverses across the south east corner of EPC 1674.

In October 2013, Moultrie Geology (MGP) updated the Springsure Project geological model and a revised total coal resource of 191.5 Mt was estimated in the Reids Dome Beds coal measures, with 148 Mt Inferred Resource and 43 Mt Indicated Resource as classified in accordance with the JORC Code 2004 (Maloney et. al., 2013).

A conceptual mine design has been prepared for the MDL 3002 on the Springsure Project as shown in the following diagram. The proposed design demonstrates some economic limitations around scale, washability and potential impacts of some igneous intrusions, however, several development options exist to improve project value and the next stage of exploration and prefeasibility study should explore these options in detail.



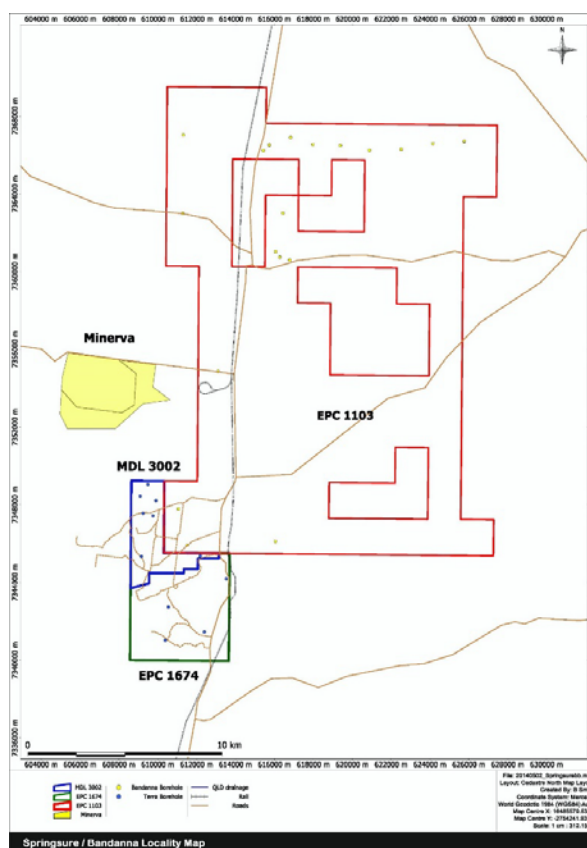
The proposed 2017 exploration plan being considered for MDL 3002 consists of 5 partially cored boreholes and 2 fully cored holes totalling 7 holes. The objective of this plan is to:

1. Delineate local structure complexities in MDL area, including gathering more information on the Minerva Hills Volcanics (Tertiary basalt) in the area which could potential affect underground mining;
2. Establish a better understanding of the intruded coal within the area, at this moment in time its slightly sporadic, closer drilling spacing should assist modelling intrusions;
3. Update Coal Quality model and conduct Large Wash testings to better simulate the wash process, further understand coal product; and
4. To update the geological model and coal resource.

FERNLEE PROJECT (ADJOINING SPRINGSURE PROJECT)

TerraCom, through its wholly owned subsidiary Sierra Coal Pty Limited, has executed an Asset Sale Agreement for EPC1103 - Fernlee Project from the Liquidators of Fernlee Coal Pty Limited (In Liquidation) and have applied for DNRM indicative approval for transfer of the tenement to TerraCom who will wholly own the tenement.

EPC1103 - Fernlee Project adjoins the EPC1674/MDL3002 - Springsure Project and is seen as a key strategic transaction for TerraCom providing the potential to expand the Spingsure Project MDL area to the East and North East.



BUSINESS DEVELOPMENT

INDONESIA

The Company is still progressing due diligence on a hard coking coal mining operation in Indonesia. The mine's production licence has a 12-year remaining life and is located in close proximity to road, barge and port infrastructure which connects into the seaborne coal market. The mine has a capability of delivering 500,000 tonnes per annum of hard coking coal and has considerable expansion opportunities within the lease and through consolidation of surrounding projects.

ABOUT TERRACOM – WWW.TERRACOMRESOURCES.COM

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.

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.



Cameron McRae
Executive Chairman

COMPETENT PERSONS STATEMENT

Springsure

The information in this announcement in relation to the Springsure Resources dates November 2012 has been prepared by Kim Maloney who is a member Australasian Institute of Mining and Metallurgy and was a full-time employee of Moultrie Group when the information was collated.

Kim has experience within the Central Queensland coal mines and has held various roles in these mine's including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "*Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.*"

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

TerraCom Limited

ABN

35 143 533 537

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	51
1.2 Payments for		
(a) exploration & evaluation	(322)	(419)
(b) development	(422)	(457)
(c) production	(2,911)	(4,640)
(d) staff costs	(979)	(1,455)
(e) administration and corporate costs	(1,398)	(2,272)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(358)	(828)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(7)	(7)
1.9 Net cash from / (used in) operating activities	(6,396)	(10,025)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(706)	(706)
(b) tenements (see item 10)	(10)	(10)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(716)	(716)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,000	7,397
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(222)	(275)
3.5	Proceeds from borrowings	3,710	3,710
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	7,488	10,832

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	832	1,148
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,396)	(10,025)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(716)	(716)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,488	10,832
4.5	Effect of movement in exchange rates on cash held	5	(26)
4.6	Cash and cash equivalents at end of period	1,213	1,213

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,213	832
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,213	832

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	401
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Nil

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Nil

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	214,207	214,207
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Super Senior Note A

The Super Senior Note A facility was fully drawn down on 30 June 2016 for the amount of US\$12,000,000. The facility bears an interest rate of 15% with interest payable on the repayment date. The repayment date is 1 year from the issue date being 30 June 2017.

Super Senior Note B

The Super Senior Note B facility was fully drawn down on 30 June 2016 for the amount of US\$5,000,000. The facility bears an interest rate of 15% repayable at 30 June 2017. The expiry date is 1 year from the issue date being 30 June 2017. On this date, the Group has an unconditional right to convert the outstanding amounts (principle and interest) into the Listed (Euroclear) bonds with repayment due on the same terms and conditions of the bond.

Listed (Euroclear) Bond

The Listed (Euroclear) Bond was fully drawn down on 30 June 2016 for the amount of US\$97,000,000 (purchase value of the bonds). The facility bears a cash interest rate of 12% per annum, payable 6 monthly in arrears except for the first interest payment which is not due until 12 months from bond issue. The maturity date of the facility is 30 June 2021 at which point the redemption value of the bonds is due and payable for the amount of US\$124,000,000. The value uplift applied between the redemption value and purchase price, along with the interest, implies an annual cumulative interest rate of 21.09%.

This facility includes a special interest component which has been treated as a separate non-derivative financial liability (note 18). This instrument, which represents an incremental cost that is directly attributable to the issue of the bond, has been treated as a transaction cost and offset against the fair value on initial recognition.

The facilities are subject to debt covenants and obligations to make interest and principal payments on set dates. Should these terms not be met by the Company an event of default may eventuate.

Fuel Exclusivity Agreement

On 14 November 2013, the Company entered into a Fuel Exclusivity agreement with Noble for US\$8,000,000. The facility bears an implied annual interest rate of 9.7% and original maturity was on 11 November 2015. The facility has been renegotiated with Noble on numerous occasions. The carrying value of the facility at 30 June 2016 in the financial statements represents the principle and interest owing in accordance with the payment schedule at this date.

Non-Interest Bearing Loan

This amount relates to US\$3m due by the Group to Noble and is payable by the recently acquired Enkhtunkh Orchlun LLC. This amount is due for repayment on 1 October 2020.

Working Capital Loan

During the quarter this facility of US\$3,000,000 was drawn down. The interest rate is 9% per annum payable monthly. The principal repayments are linked to production milestones with respect to the Blair Athol mine.

The Company has further funding of US\$9 million and AU\$11.6 million in separate funding agreements to provide the necessary working capital and support the commissioning of Blair Athol Mine.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	1,820
9.2 Development	-
9.3 Production	20,214
9.4 Staff costs	1,190
9.5 Administration and corporate costs	1,857
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	25,081

The estimated cash outflows will be covered by coal sales revenue from BNU Mine in Mongolia, the Blair Athol Mine in Australia (currently going through the government approvals process), and other funding facilities.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
 Executive Chairman

Date: 31 January 2017

Print name: Cameron McRae

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.