December 2019 Quarterly Production and Activities Report

ASX RELEASE
20 January 2020

December 2019 Quarter Operational Activity

		Quarter Ended Dec-19	Full Year Actual -2019	Prior Annual Guidance
ROM coal mined	k tonnes ("kt")	288	750	650 to 700
Coal delivered to Beringovsky Port	kt	212	644	
Coal loaded[1]	kt	88	582	
Coal sold	kt	136	581	550 to 580
Total coal stocks	kt	436	436	
Product Coal at Port stockpiles	kt	238	238	
Waste mined	bcm	1 186	3 501	
ROM strip ratio[2]	bcm : t	4.1:1	4.7:1	

1. Difference between coal loaded and coal sold is due to third party coal loaded and revenue recognition period
2. bcm waste: tonne ROM coal

Highlights

- **Safety** – 1 lost time injury ("LTI") recorded during the quarter. Cumulative Total Reportable Injury Frequency Rate ("TRIFR") slightly increased to **4.0** per million hours.
- **Mine Production** – 288kt of coal mined and 212kt delivered to port during the December quarter. Both the December quarter and 2019 annual mining targets were surpassed. Coal mined of 750kt exceeded TIG's 650 to 700kt guidance.
- **Sales and Revenue** – In 2019 TIG sold its millionth tonne of coal. We sold 581kt in 2019 which reached the upper end of the revised guidance provided on 30 September. Revenue through 2019 year of US$31.3M (A$50.4M) on FOB basis. Estimated FOB cash cost per tonne sold for 2019 was US$39/mt.
- **Shareholder Bridge Financing** – TIG obtained US$15M in short-term financing from our two largest shareholders – Baring Vostok Mining Holdings (BVMH) and Dr. Bruce Gray (Dr. Gray). These funds were used to repay bank debt maturing during the December quarter and to provide additional working capital. The short-term financing, together with the earlier US$5M bridge loan from these two shareholders, was substantially repaid through proceeds from the Offer.
- **Entitlement Offer** - On 20 December TIG launched a 13:4 Accelerated Renounceable Entitlement Offer at a price of A$0.01 per share in order to raise up to US$40M. The Offer has received strong support from TIG's three largest shareholders, representing 68% of outstanding shares prior to the Offer. The retail component of the Offer closes on 5 February 2020.

- **Compliance and licencing** – The Company is in compliance with material license obligations. On December 4, 2019 TIG applied for the Amaam license № АНД01277ТП renewal. The Company's next resources and reserves update is to be completed in 2nd quarter 2020.
- **Community relations** – TIG has continued to work with stakeholders on all levels to ensure that our operations provide a basis for ongoing sustainable development.

Health and Safety

TIG's cumulative TRIFR slightly increased to 4.0 per million hours worked from 3.59 in September 2019 quarter as a result of one lost-time injury (LTI). The company continues to improve and support its workplace safety culture with training, communication and integration of success in this area into management's compensation structure.

Mining and Haulage Operations

		October	November	December	Total
ROM coal mined	kt	77	101	110	288
Product coal mined & delivered to Beringovsky Port	kt	76	60	76	212
Waste mined	k bcm	356	410	420	1 186
Stripping ratio (SR)	bcm : t	4.6 to 1	4.1 to 1	3.8 to 1	4.1 to 1
Product Coal at Port in stockpiles	kt	126	164	238	
Total Coal stocks	kt	249	328	436	

During the December quarter, 288kt of ROM coal was mined representing an increase of 46kt over the 242kt mined in the September Quarter. Additionally, the stripping ratio decreased from 4.6 in September quarter to 4.1 as TIG continued to focus on mining coal consistent with prevailing market conditions. Driven by investments in new, larger pit equipment, TIG monthly ROM production reached 110kt per month by the end of the December quarter, an increase of 200% over the average monthly production of 37kt for the first half of 2019 prior to the arrival of the new equipment. Average monthly ROM coal mined in Q4 2019 increased by 102% compared to Q4 2018 from 48kt to 96kt per month.

Beringovsky Port Operations

		October	November	December	Total
Coal loaded[1]	kt	62	24	2	88
Coal sold	kt	55	81	0	136
Barge loading capacity	# of barges[2]	11	11	11	

1. Includes coal loaded to local companies without shipment amounting to 4kt in Q4 2019
2. 7 barges of 100t capacity and 4 barges of 500t capacity

During 2019 navigational season 164kt was loaded by TIG's own barges. In addition to acquiring four 500t barges, putting in place such transhipment capacity also entailed obtaining all the relevant port licenses and gaining experience in barges operations.

2019 Sales Volumes

TIG final sales volume of 581kt was at the upper end of the revised guidance in the September Quarterly Activities and Production Report.

Capital investments

Capital investments during the December quarter included:

- Substantial improvements to the road were made in 2019. Materials for the construction of culverts were supplied during the shipping season allowing a number of replacement culverts to be installed. These culverts will help to prevent degradation of the haul road during the 2020 thaw period (March/April) and generally make the road more stable. The culverts have been designed to meet all Russian technical and environmental standards and are approved for use on fish spawning rivers. Road improvements are aimed at increasing the safety of operations, minimising weather impacts and decreasing spare parts usage on our fleet of haul trucks.
- Foundation work for the new Komatsu workshop was completed.
- Foundations for the new boiler to supply heating and hot water to the port and workshop area, which is now scheduled to be online during the March quarter, was completed.
- Camp extension works were continued and living conditions in camp were generally improved. Extension works are expected to be finished by March 2020. After extension the camp capacity will be increased by 24 beds so that the camp will be to accommodate 132 staff.

We continued to employ the tight capital controls implemented during the September quarter even while completing the essential works outlined above.

Coal Sales and Marketing

During the 2019 Shipping Season TIG shipped 12 export vessels accounting for 554kt of coal and 27kt in total for Chukotka local boilers resulting in total sold tonnage of 581kt. Four of the export cargos were of coking coal – two standard SSCC and two low ash SSCC cargos.

TIG continued to focus on quality control and building long-term customer relations. As a result of our focus on quality, we experienced no quality-related claims during the year while continuing to ship increased volumes to several key customers with whom we have developed a robust and beneficial working relationship.

Coal market

The coal market weakened during the second half of 2019 as general economic conditions worsened, driven by weaker growth and trade tensions between China and the USA. Chinese domestic production growth, coupled with the resumption of import quotas designed to maintain imports at 2017 levels, reduced demand for seaborne exports from Far East Russia, Indonesia and Australia. In the Atlantic region, plentiful supplies of low price LNG had a strong negative effect on thermal coal demand in Europe.

FOB Australian hard coking coal spot prices dropped from over $200/mt earlier in the year to around $120/mt at the low point in Q4 2019. FOB Australian semisoft coking coal prices fell from over $120/mt in Q2 2019 to $77/mt over the same period. TIG supplied its low ash semisoft at prices linked to Q3 2019 benchmark settlements, which provided some insulation from these falls in prices.

The price of thermal coal fell throughout 2019, continuing a downward trajectory since August 2018, driven in the Asian region primarily by increased domestic Chinese supply and imposition of Chinese import restrictions.

There remains relatively strong demand for TIG SSCC - both its standard 9.5% ash and higher ash products. The 9.5% ash SSCC is being primarily sold into Japan, while the higher ash SSCC is seeing demand from China and Korea. The retention of TIG's coal coking properties, even at higher ash levels, has enabled sales of SSCC with ash as high as 15%.

In terms of thermal coal, production in 2019 was mostly of higher ash material with CV below 5500 kcal/kg NAR. This coal was sold into China as, even with annual import quotas being imposed on some Chinese ports, there was demand for Russian high ash thermal coal in preference to Australian.

TIG was impacted by higher freight rates at the end of the season, driven by resumption of Brazilian iron ore exports, strong demand for smaller vessels for cargos to Vietnam (which has doubled coal imports this year) and a need to position vessels late in the year at repair ports to refit and prepare the vessels for new IMO low sulphur fuel regulations. Higher freight rates continue to negatively impact TIG's coal price at the port of Beringovsky.

2020 Market Outlook

The year 2020 has started positively for coal prices. As expected, the resetting of import quotas in China has led to a rebound in demand. This has pushed up thermal coal and coking coal prices. A shortage of low ash South African thermal coal has also helped to support prices in India and the Asia-Pacific region (where TIG sells its coal).

The low ash/ high CV south African coal index (RB1) has lifted from ~$82.4 on 13th December to ~$92.4 on the 10th of January. The NEWC Index (6000kcal/kg NAR thermal coal) has moved from $64.8 on the 3rd of January to over $70 this week (bids at $71 as of 14th Jan). The Australian High Ash Index (5500 kcal/kg NAR thermal coal) started the year at $52.4 after being down around $48 in September 2019. Bids have been reported last week at the $54 level. Producers, seeing prices finally start to move, have been pushing for higher prices, with offers at $2-3 above these bid levels. The annual JPU negotiation season kicking off should support thermal prices for the next few months.

Prime low volatile coking coal prices have increased from lows of $120 last year to around $150 at present and resetting of import quotas should see pent-up demand being satisfied at higher prices (removing a supply overhang from 2019). Factors that will influence coal prices over Q1 include the impending slow-down of the Chinese New Year holidays starting on 25 January (short term price impact on all Asia/Pacific coal), the weather over what remains of the northern hemisphere winter (price impact on thermal coal), and the impact of the outcome of negotiations to (hopefully) alleviate US-China trade tensions. There appears to be some optimism in the markets that a thawing in that relationship may be a positive catalyst for economic activity in 2020. This would support coal prices in TIG's markets.

At this stage, we expect to see continued improvement in coal pricing through Q1 into Q2 2020. TIG maintains its previously budgeted price projections for the 2020 Shipping Season.

Corporate

As previously disclosed in an ASX Release on 24 October, TIG obtained bridge financing in the amount of US$15M from its two largest shareholders, Baring Vostok Mining Holdings (BVMH) and Dr. Bruce Gray (Dr. Gray), in order to provide near-term liquidity with which to repay bank debt of $10.4M coming due during the quarter as well as for some additional working capital, enabling the Company to pay vendors in a timely manner. TIG repaid its outstanding bank debt on 12 November 2019. TIG used roughly half of the remainder of these funds in order to finance capital expenditures for the September and December quarters and half to finance advance purchases of spare parts for the non-navigational period.

On 20 December TIG launched a 13:4 Accelerated Renounceable Entitlement Offer at a price of A$0.01 per share in order to raise up to US$40M. The accelerated component of the Offer closed on 30 December and on 2 January 3,924,327,587 new shares were issued to institutional investors. The retail component of the Offer will close on 5 February 2020. TIG's three largest shareholders, BVMH, Dr. Gray and the Russian Direct Investment Fund provided TIG with binding commitments to take up their entitlements. TIG will provide a further market update upon the closing of the Offer.

Proceeds from BVMH and Dr. Gray taking up their entitlement rights were used to substantially offset amounts owing to these shareholders. As of 2 January, US$1.2M remained owing to Dr. Gray and is due for repayment by 31 January. Additional proceeds will be used to finance drilling for license compliance, finance capital expenditures for 2020, provide permanent working capital, and to prepay approximately US$5M of expensive capital lease obligations.

Stakeholder relations

TIG has continued to work with stakeholders on all levels to ensure that our operations provide a basis for ongoing sustainable development. Our work with stakeholders includes consultations with experts from federal authorities to improve certain aspects of regulations governing the Advanced Development Zone as they apply to the port.

Exploration and Licencing Activities

The Company is in compliance with material license obligations. On December 4, 2019 TIG applied for the Amaam license № АНД01277ТП renewal. The Company's next resources and reserves update is to be completed in 2nd quarter 2020.

TIG will conduct geological exploration activities on Zvonkoye through the 2019-2020 winter season.

Cash balances

At the end of the quarter, TIG had a bank balance of US$3.3M in cash with no bank liabilities outstanding. On 2 January TIG has received additional US$5.5M from RDIF as part of their entitlement.

Capital Structure (as at 31 December 2019)

Ordinary shares on issue:	1,791,669,870
Options on issue:	28,346,000

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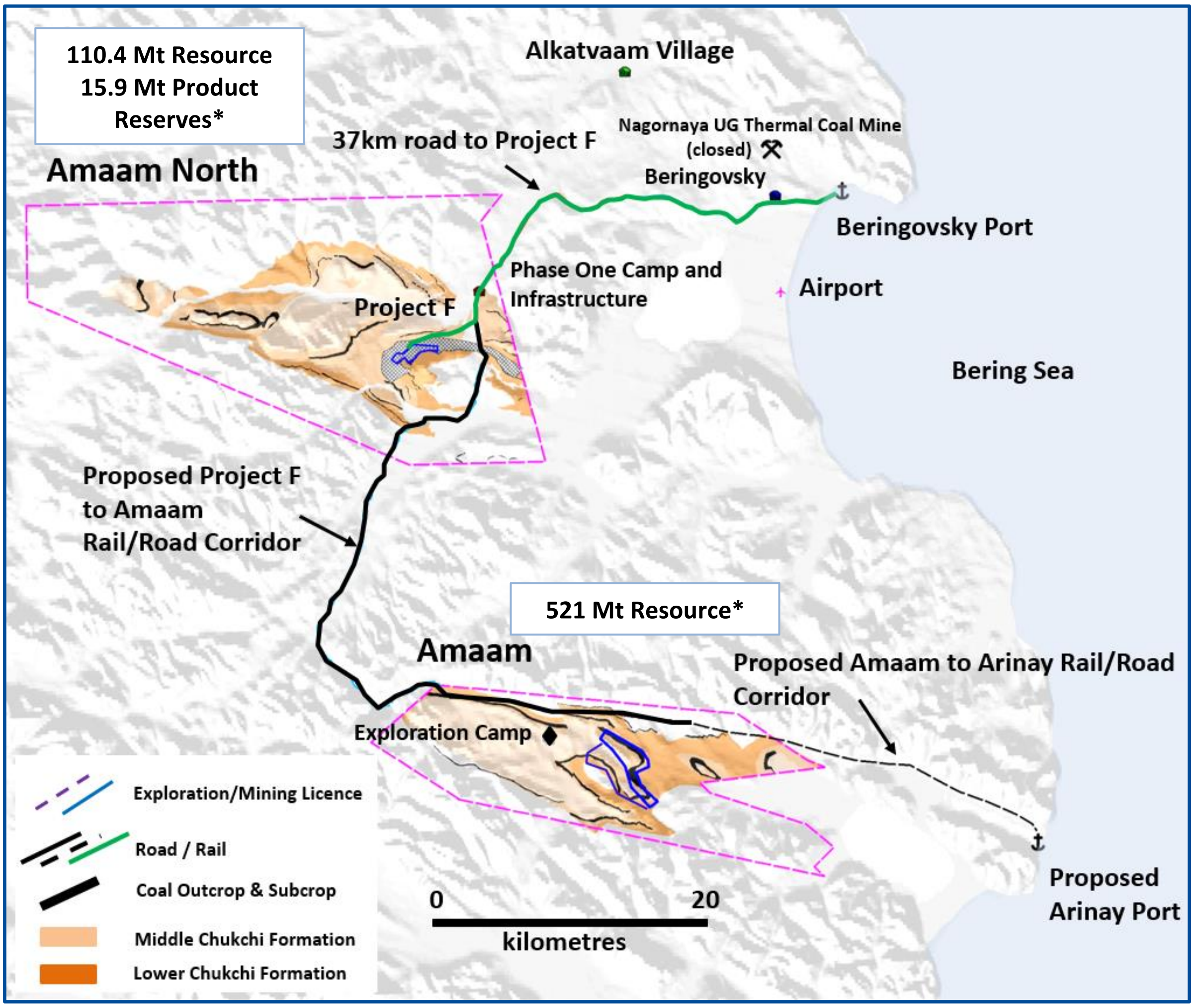
PROJECT SUMMARY

TIG is developing a large-scale coking coal basin that covers two areas, Amaam and Amaam North (Figure A below), with combined Resources of up to 632Mt.

At Amaam North, TIG owns a 100% beneficial interest in Exploration Licence No. AND01203 TP (Levoberezhniy Licence), the Exploration and Extraction (Mining) Licence, No. AND 15813 TE, which covers the initial Project F mine development area and the Exploration and Extraction (Mining) Licence No. AND 01314 TE, which covers the Zvonkoye licence area, the eastern extension of the Project F licence area.

At Amaam, TIG owns an 80% beneficial interest in Exploration Licence No. AND 01277 TP (Zapadniy Subsoil Licence) and two Exploration and Extraction (Mining) Licences, No. AND 01278 TE and No. AND 01288 TE.



*Total estimated project

Figure A **Amaam and Amaam North Coking Coal Projects**

Amaam and Amaam North are two exceptionally well-located coking coal deposits, approximately 40km from the Bering Sea with shorter shipping distances to North Asian markets than from peer producers in Queensland and British Columbia.

At Project F and Amaam North

- Project F Phase One is in production
- Project F 1.0Mtpa Feasibility Study completed, Resources and Resources as at June 30th, 2019 of:
  - 15.1Mt of remaining Product Reserves, 5.3Mt Proven & 9.8Mt Probable;
  - 110.4Mt total Resource, 21.9 Mt Measured, 55.6Mt Indicated & 32.9Mt Inferred.
- TIG owns and operates the Beringovsky coal port terminal

At Amaam:

- A PFS completed on 5Mtpa open pit operation producing a high vitrinite content (>90%) coking coal with excellent coking properties
- The total Resource is 521Mt comprising 3.1Mt Measured, 91Mt Indicated, and 428Mt Inferred

The planned wash plant is 25km from the planned year-round port site, only 8 days shipping to China, Korea and Japan