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## **ASX Announcement**

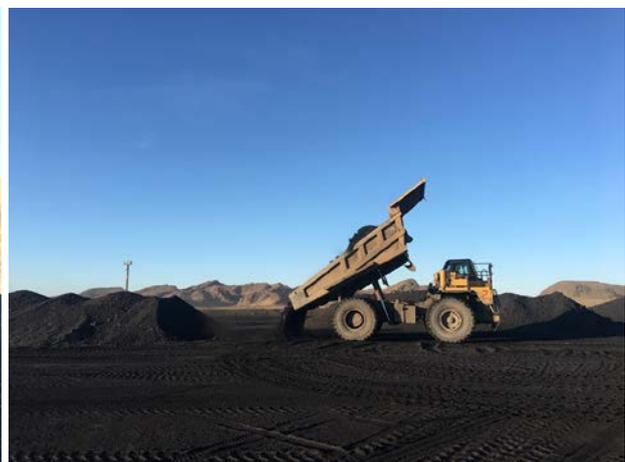
### **BNU Hard Coking Coal Mine Activities Update**

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

- Coking coal is flowing from the BNU Mine building coal stockpiles to deliver on the Kingho offtake agreement.
- The coal will begin being delivered to Kingho from 10<sup>th</sup> February, when the Border re-opens following Chinese New Year, and thereby allowing funds under the LC to be paid to the Company.
- The BNU on site CHPP feasibility study was approved by Mineral Professional Council (MPC) in December 2016 and the Company has just received the Final Resolution of the Chairman of the MPC Meeting.

#### **Coal Mining Progressing**

As previously announced, recommissioning of BNU Coal Mine in Mongolia is complete and the mine is in full production. The Company is pleased to announce that coal is flowing from the mine to build stockpiles in preparation to supply product for the offtake agreement for sales of hard coking coal (HCC) to the Kingho Group. The coal will begin being delivered to Kingho from 10<sup>th</sup> February, when the Mongolia/Chinese Border re-opens following Chinese New Year.





*Images: Coal mined and delivered to ROM stockpile at BNU Hard Coking Coal Mine*

### **Kingho Offtake Agreement LC**

As previously announced the, first 100% USD Irrevocable Letter of Credit (LC) received from Kingho Group for sales of January / February 2017 production tonnes from the mine was issued by Agricultural Bank of China, and received by the TerraCom' Mongolian banking counterpart. The tonnage and pricing were agreed by Kingho and the Company at the start of the month in line with the terms of the agreement, with the price linked to a commercially in confidence minegate pricing structure that reflects the seaborne market. Funds under the LC will be paid to the Company following coal being delivered to Kingho. As advised above, the coal will begin being delivered to Kingho from 10th February.

### **BNU CHPP Approved**

The BNU on site CHPP feasibility study was approved by Mineral Professional Council (MPC) in December 2016 and the Company has just received the Final Resolution of the Chairman of the MPC Meeting.

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. The onsite CHPP will allow TerraCom to increase the BNU cash operating margin through a freight cost reduction as clean coal will only be transported into China, which adds 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 mid-year 2017.

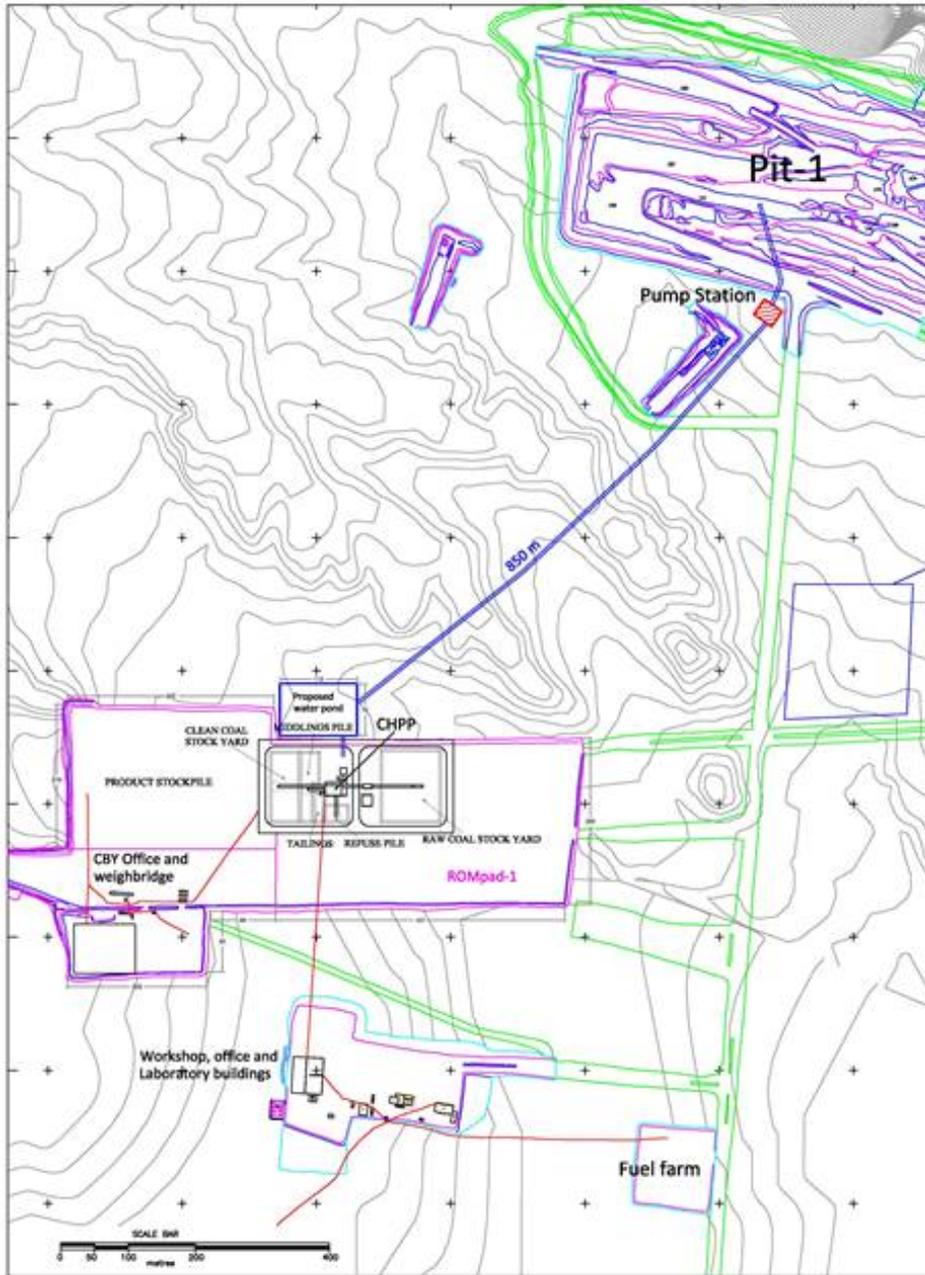
GTC and its subsidiary GT Global, and TerraCom jointly participated in preparation of a feasibility study in compliance with all Mongolian regulations and authorities in order to gain approval to construct the facility. The feasibility defined a CHPP with the following key parameters:

<b>Plant Design Parameters</b>	
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:



**ABOUT TERRACOM – [www.terraconomresources.com](http://www.terraconomresources.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.

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**Cameron McRae**  
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