

18 February 2020



Response to Universal Coal

TerraCom Limited (**TerraCom** or the **Company**) provides the following information in reply to the recent announcements by Universal Coal Plc (**Universal** or **UNV**) (**ASX: UNV**) in respect of the offer by TerraCom's wholly owned subsidiary, TCIG Resources Pte Limited (**TerraCom Bidco**), to acquire the entire issued and to be issued share capital of Universal not directly or indirectly owned by it (the **Offer**).

Requisition Notice

As announced yesterday, TerraCom confirms lodgement of a valid Requisition Notice with UNV, dated 16 February 2020. An initial notice was lodged and immediately recalled after a clerical error was identified. The formal and correct Requisition Notice was sent to Universal via e-mail and subsequently lodged at Universal's registered office in the UK. The Requisition Notice included resolutions to remove Mr. Mark Eames, Mr. Tony Weber and Mr. Henri Bonsma as Directors of Universal. The Requisition Notice was in the same form as the previous Requisition Notice lodged by the Company in December 2019, which was accepted by Universal as being valid.

PROPOSED Enforcement proceedings

The Company wishes to clarify that, as stated within the UNV Announcement on 17 February 2020, UNV has not commenced any proceedings against TerraCom or TerraCom Bidco. It is also noted that a court of law needs to allow UNV to take any action under Section 18.1 of Universal's Articles of Association. This effectively means that Universal need a supported legal position before they can impose any sanction against TerraCom with respect to voting rights attached to securities owned.

TerraCom believes that the Bid Committee has no basis for imposing these sanctions and is seeking to frustrate the Offer and protect their positions on the board of UNV to the detriment of UNV securityholders.

UNV approach

Although we disagree with UNV's announcement of 14 February 2020 in all regards, TerraCom welcomes discussion in relation to its approach to valuation and operational matters of a combined TerraCom and UNV business by UNV. We believe this facilitates a better investor understanding of TerraCom's approach to valuation and operational matters regarding a combined TerraCom and UNV business. TerraCom is however disappointed that the Bid Committee of UNV has made baseless criticisms, seeking to dissect the fine minutia of the legality of TerraCom's approach to UNV securityholders, rather than endorsing the merits of the Offer, as UNV securityholders are now doing.

TerraCom will continue to comply with all legal requirements in relation to the Offer and has had the support of, its legal advisers, Ashurst, in both the UK and Australia.

TerraCom has made an offer to all UNV shareholders on equivalent terms, and has provided sufficient information and time for them to reach a properly informed decision.

TerraCom believes in fair arguments, not frustrating action in an attempt to not let UNV securityholders speak for themselves with their acceptance, or non acceptance, as the case may be. TerraCom respects the UNV securityholder base, whether they are for or against our Offer, and genuinely believe the Company can build a better business as a combined group.

TerraCom approach and timetable

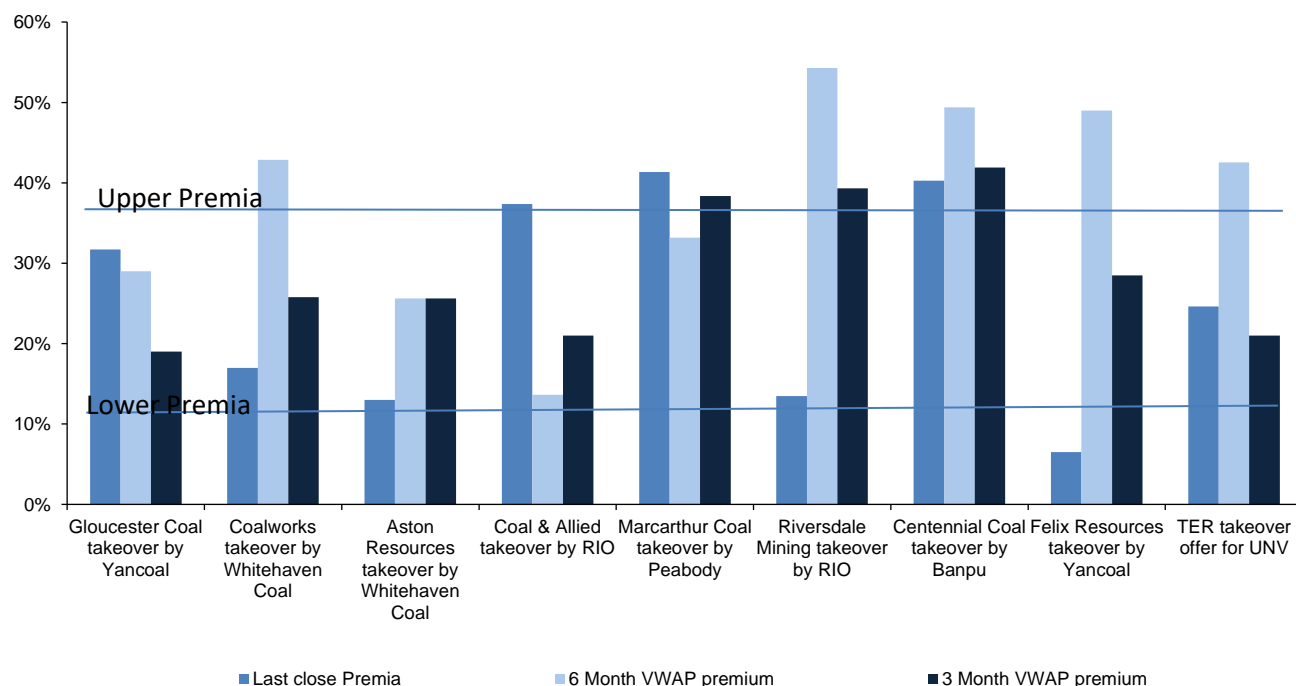
TerraCom urges UNV securityholders to raise their awareness to the process and not be drawn into the negative sentiment bandied by the UNV Bid Committee. TerraCom has followed a process, typical in UNV's country of incorporation, whereby parties sign irrevocable undertakings pre-launch with an offer period then open to investors.

As of today, UNV securityholders have approximately one month to consider whether to accept the Offer, being six weeks from TerraCom's original announcement. We strongly believe this affords all UNV securityholders sufficient opportunity to consider our Offer.

Premia

TerraCom and UNV operate coal mines with a primary focus on thermal coal. Contrary to the analysis completed by UNV, TerraCom believes that completed coal transactions are the most appropriate measure to consider bid premia. The UNV analysis was based on a completely irrelevant mining and metals index, and included no coking or thermal coal producers. The commodities identified from the UNV analysis included gold, copper and mineral sands.

The chart below illustrates completed ASX listed coal transaction premia and confirms TerraCom's bid premia is entirely consistent with transactions in the sector.



With respect to a further comparative transaction, we also refer to an article published in The Australian Financial Review yesterday titled "*Universal Coal's reservations about TerraCom takeover*" whereby transactional information relating to a South African coal transaction completed in November 2019 was referenced. Under this transaction, South32 sold its South African coal business to Seriti Resources for an upfront cash payment of 100 million Rand (equivalent to A\$9.8 million at the time), plus a Royalty from future production.

To highlight the comparatives between this transaction and the Offer by TerraCom Bidco, the following facts are noted:

- the South 32 coal business produces ~30Mtpa of coal with ~17-18Mtpa to Eskom and ~12Mtpa to the Export market.
- Universal is producing far less than this ~5.9Mtpa of Domestic sales to Eskom and 0.8Mtpa of Export sales in FY19.

Given the above analysis, TerraCom believes the Offer of approximately A\$175 million for the entire issued share capital of UNV is fair and reasonable.

Why a six month VWAP is used

In the securities market, different parties value securities in different ways. TerraCom has used a six month volume weighted average price in its communications primarily due to:

- The changing coal market environment makes it unfair to any coal company to consider only a point in time reference;
- Specific to UNV, the support provided to the security price by corporate actions, including the TerraCom Bidco initial stake, inflating the price of UNV relative to TerraCom;
- The six month volume weighted average price was the preferred measure used in negotiating the initial stake acquired by TerraCom Bidco from the experienced coal institutional investor, Coal Development Holdings;
- Liquidity of both UNV and TerraCom means a longer period affords a greater volume of trading. Fully combining the businesses may enhance liquidity for the benefit of all securityholders.

Investors can look at pricing from endless different angles, however following a takeover offer announcement, the security price of both the target and bidder generally move in different directions.

Cash

TerraCom understands the UNV Bid Committee may not have had opportunity to consider the Company's offer document and announcements in full when raising concerns in relation to TerraCom's cash position and outlines the following for ease of reference:

- Based on 100% acceptances, the cash consideration due under the Offer would be approximately \$41.8 million.
- TerraCom's quarterly report for December 2019 outlines cash and cash equivalents of \$67 million.
- The Excess Cash (difference between these two numbers) is approximately \$25 million.

If TerraCom only had sufficient cash by a small margin to fund the cash consideration of the Offer we could understand UNV's concerns, however this is not the case. The offer document outlines clearly that the Offer is fully funded. TerraCom believes there should be no more time wasted on this matter.

Initial Stake versus Offer price

As announced on 30 October 2019¹, TerraCom acquired the initial stake for a value of 33.1 cents per UNV security. The Offer price is a value of 33.5 cents per security – which is higher than the initial stake purchase price of 33.1 cents per security.

¹ more than 3 months before the Offer was made to all shareholders.

For the TerraCom share component, both calculations were calculated with reference to a six month volume weighted average price at the time, being the preferred approach of the institutional coal investor who divested the initial stake to TerraCom Bidco.

The treatment of the initial stake vendor is not relevant to our Offer, however we do not agree with UNV that any preferential treatment has been given.

Dividend

TerraCom paid a maiden interim dividend for FY2020 in November 2019.

TerraCom looks forward to UNV announcing its interim dividend for the 6 months ending 31 December 2019 in accordance with its dividend policy.

Conclusion

TerraCom is a growing business with strong aspirations. With the growth we see in our future, accepting TerraCom shares gives UNV securityholders exposure to this upside potential in the future.

TerraCom welcomes discussion from UNV in relation to the financial and operational merits of the Company's Offer, but urges the UNV Bid Committee to stop focusing on frustrating our Offer, as it has done with other previous disclosed and undisclosed offers.

The Offer, including the offer of TerraCom shares as part consideration, is being made on the terms and conditions set out in the offer Document dated 11 February 2020. Please consider the offer document in full before deciding to participate in the Offer. To accept the Offer a UNV securityholder must follow the instructions in the offer document to complete an acceptance form that accompanies the offer document. The offer document can be obtained by contacting Link on +61 1300 330 255.

This announcement has been approved by the Company's Disclosure Committee for release.

For further information, contact:

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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.

Important notice

Petra Capital Pty Limited is acting as financial advisor to TerraCom and TerraCom Bidco in connection with the Offer and for no one else and will not be responsible to any party for providing advice in relation to the Offer, the contents of this Announcement or any matters referred to herein.

This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of UNV in any jurisdiction in contravention of applicable law.

The Offer will be made solely by means of the Offer Document, the Form of Acceptance and the CDI Acceptance Form (in respect of UNV CDIs), which will contain the full terms and conditions of the Offer, including details of how to accept the Offer. The Offer Document will comprise, include or be accompanied by a disclosure document under Ch 6D of the Corporations Act (**Prospectus**) under which the Share Offer will be made. Any approval, decision or other response to the Offer and Share Offer should be made only on the basis of the information in the Offer Document, which includes the Prospectus, the Form of Acceptance and the CDI Acceptance Form (in respect of UNV CDIs). UNV Shareholders (including UNV CDI Holders) are strongly advised to read the formal documentation in relation to the Offer once it has been despatched. It is anticipated that UNV Shareholders will receive all formal documentation in February 2020.

Overseas jurisdictions

This Announcement has been prepared in accordance with the laws of England and Wales and Australia and the information disclosed may not be the same as that which would have been disclosed in accordance with the laws of jurisdictions outside England and Wales and Australia. The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and there shall be no implication that there has been no change in the facts set forth in this Announcement since such date.

The release, publication or distribution of this Announcement in jurisdictions other than Australia may be restricted by the laws of those jurisdictions. Persons who are not resident in Australia, or who are subject to the laws of any jurisdiction other than Australia, should inform themselves about and observe any applicable requirements. Any person (including, without limitation, nominees, trustees and custodians) who would, or otherwise intends to, forward this Announcement, the Offer Document or any accompanying document to any jurisdiction outside Australia should refrain from doing so and seek appropriate professional advice before taking any action. Further details in relation to the Overseas Shareholders will be contained in the Offer Document. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by TerraCom Bidco and permitted by applicable law and regulation, the Offer will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Offer by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Announcement and all documents relating to the Offer (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

Additional information for US investors

The Offer will be made for securities of a company incorporated in England and Wales and UNV Shareholders in the United States should be aware that this Announcement, the Offer Document, the Prospectus and any other documents relating to the Offer and the Share Offer have been or will be prepared in accordance with the laws of England and Wales and Australia (as the context requires) and applicable disclosure requirements, format and style thereunder, all of which differ from those in the United States.

This Announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration with the United States Securities and Exchange Commission or an exemption from registration. There will be no public offering of these securities in the United States.

Securities to be issued pursuant to the Offer have not been, and will not be, registered under the US Securities Act of 1933, as amended (**Securities Act**), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or resold except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Subject to certain exceptions, UNV Shareholders in the United States will only be able to accept the offering in respect of the cash consideration. A person who receives securities pursuant to the Offer may not resell such securities without registration under the Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the Securities Act).

For purposes of the US Securities Exchange Act of 1934, as amended (**US Exchange Act**), it is intended that the Offer will be made pursuant to Section 14(e) and Regulation 14E under the US Exchange Act benefitting from exemptions available to "Tier II" tender offers. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those applicable under US domestic tender offer procedures and law, and certain rules applicable to tender offers made into the United States, including rules promulgated under Section 14(d) of the US Exchange Act, do not apply.

The receipt of consideration by a US holder for the transfer of its UNV Shares pursuant to the Offer may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as non-US and other, tax laws. Each UNV Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of the Offer applicable to them, including under applicable United States federal, state and local, as well as non-US and other, tax laws.

Forward-looking statements

This Announcement (including information incorporated by reference in this Announcement), oral statements made regarding the Offer, and other information published by TerraCom or TerraCom Bidco may contain statements that are or may be deemed to be forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. For the avoidance of doubt, forward-looking statements include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the TerraCom Group or its operations; and (iii) the effects of government regulation on the TerraCom Group or its business.

The forward-looking statements are not guarantees of future performance. Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions to the Offer, as well as additional factors, such as changes in political and economic conditions, changes in the level of capital investment, retention of key employees, changes in customer preferences, success of business and operating initiatives and restructuring objectives, impact of any acquisitions or similar transactions, changes in customers' strategies and stability, competitive product and pricing measures, changes in the regulatory environment, fluctuations of interest and exchange rates, the outcome of any litigation.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this Announcement. All subsequent oral or written forward-looking statements attributable to TerraCom or TerraCom Bidco or any of their respective members, directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. TerraCom and TerraCom Bidco disclaim any obligation to update any forward-looking or other statements contained in this Announcement, except as required by applicable law.

No profit forecasts or estimates

No statement in this Announcement is intended as a profit forecast or estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per share for UNV for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for UNV.

Governing law and jurisdiction

The Offer will comply with the applicable rules and regulations of the United Kingdom and Australia. The Offer will be governed and constructed in accordance with the laws of England and Wales and will be subject to the exclusive jurisdiction of the courts of the England and Wales and to the Conditions and further terms set out in Appendix 1, and the full terms and conditions to be set out in the Offer Document.

Publication of this Announcement on website

A copy of this Announcement and certain relevant documents relating to the Offer will be available, free of charge, subject to certain restrictions relating to persons resident or located in Restricted Jurisdictions, on TerraCom's website at www.TerraComresources.com/UNVOffer.

For the avoidance of doubt, the contents of this website and any websites accessible from hyperlinks on this website are not incorporated into and do not form part of this Announcement.

Right to receive documents in hard copy form

Any person entitled to receive a copy of documents, announcements and information relating to the Offer is entitled to receive such documents in hard copy form free of charge. A person may also request that all future documents, announcements and information in relation to the Offer are sent to them in hard copy form. Hard copies of such documents, announcements (including this Announcement), and information will not be sent unless requested.

A hard copy of this Announcement may be requested by any person entitled to receive a copy by contacting TerraCom's Company Secretary, Megan Etccl, via phone +61 7 4983 2038 or via e-mail: unvoffer@terracomresources.com.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.