

ASX ANNOUNCEMENT

4 May 2020



TerraCom signs binding Term Sheet for the sale of the BNU Mine in Mongolia

TerraCom Limited (**TerraCom** or the **Company**) (ASX: TER) is pleased to announce the execution of a binding term sheet for the outright sale of the Baruun Noyon Uul (**BNU**) Coal Mine in Mongolia along with associated legal entities (**Transaction**) to Bridge Resources Pte Limited (**Bridge Resources**). Total consideration for the sale is US\$2 plus Bridge Resources accepts a net US\$15m of existing liabilities within the BNU Business Structure (**BNU Group**).

Bridge Resources is a Singapore coal buyer and an existing customer of BNU. They are familiar with the BNU asset and the coal produced, and are well versed in doing business in Mongolia. Bridge Resources will retain current BNU key management personnel as part of the transaction.

Formal legal documents are currently being prepared in conjunction with customary due diligence, with a target completion date of 5 June 2020.

Key commercial terms of the Transaction are:

1) Bridge Resources will acquire the Shares for US\$2 as follows;

- (i) US\$1 cash payment for the Shares in Tellus Commodities Pte Ltd, and
- (ii) US\$1 cash payment for the Shares in Tellus Marketing Pte Ltd (**Shares**).

By virtue of acquiring the shares;

2) Bridge Resources will be accepting net US\$15M of creditors and coal sales pre-payments within the BNU Group, after adjusting for receivables and inventory.

The Shares represent legal and economic interest in BNU as follows;

Legal Entity	Economic Interest
Terra Energy LLC	<p><i>assets include the 92.7 kilometre concession/ haul road and mining tenements and exploration licences in the:</i></p> <ul style="list-style-type: none"> (i) South Gobi region, including XV-18513 (ii) Mid Gobi region, including XV-12929 (iii) Uvs region, including XV-18142, XV-18797, XV-18802, XV-20281, XV-20539.
Tsagaan Uvuljuu LLC	<p><i>assets include mining tenements and exploration licences in the South Gobi region, including MV-17162, MV-20800, MV-20803, XV-18111, XV-20268.</i></p>

Legal Entity	Economic Interest
Terra Coal Processing LLC	<i>assets include the approval for the construction of a Coal Washery at the BNU Mine.</i>
Alag Tvesh LLC	<i>assets include mining tenements and exploration tenements in the South Gobi region, including MV-16971.</i>

At this stage, TerraCom retains ownership of Enkhtunkh Orchlon LLC (**EO**), which includes the operational MV-19149. The Company is currently in negotiation to divest EO, which if successful would see TerraCom completely exit from Mongolia.

The divestment of Mongolia will provide the Company with a net current asset improvement.

TerraCom Chairman, Wal King commented:

“TerraCom is pleased with the execution of this binding term sheet to divest its non-core operating asset, the BNU coal mining business, in line with the Company’s strategic business plan. The divestment will relieve the Company’s balance sheet of US\$15m of current liabilities and will enable TerraCom to continue its transition to a profitable major global thermal coal producer, with a clear focus now on the Company’s Blair Athol Mine in Queensland and the more recently acquired Universal Coal Mines in South Africa.

We look forward to working closely with Bridge Resources to finalise this transaction. The Company will advise shareholders once the Transaction has been successfully completed.”

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

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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 Australia, South Africa and Mongolia. 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 about TerraCom visit terracomresources.com.