

QUARTERLY REPORT



FOR THE QUARTER ENDED 30 SEPTEMBER 2019

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER) presents its quarterly production activities report for the 3 months ending 30 September 2019 (**September Quarter**).

HIGHLIGHTS

- ✓ Record Total Coal Sales for the September Quarter of 921,119 tonnes, an improvement of 11% on the prior record set in the March 2019 quarter.
- ✓ Record Blair Athol Coal Sales for the September Quarter of 795,532 tonnes, an improvement of 30% on the prior record set in the September 2018 quarter.
- ✓ Cash and Cash Equivalents as at 30 September 2019¹ of A\$66.6 million.
- ✓ Blair Athol EBITDA for the September 2019 Quarter¹ was A\$18.0 million.
- ✓ Group Operating EBITDA for the September 2019 Quarter¹ was A\$14.1 million.
- ✓ Reduction of Blair Athol's Financial Assurance by a further A\$0.7 million.

SUBSEQUENT TO SEPTEMBER QUARTER END

- ✓ Maiden Interim Dividend of 1 cent per share, which is unfranked.
- ✓ Binding term sheet signed for the issuance of an insurance bond which returns A\$27 million in Restricted Cash to the Company.
- ✓ Acquired 19.995% of Universal Coal Plc (ASX: UNV) for A\$34.6 million via a combination of Cash (A\$17.3 million) and TerraCom Equity (34.2 million fully paid ordinary shares in TerraCom at a deemed issue price of A\$0.5061).

¹ Based on management accounts that have not been audited.

PRODUCTION AND SALES

Thousands of tonnes (kt)	Sep 2019	Jun 2019	Change %	Sep 2019	Sep 2018	Change %
<u>Run-of-Mine (ROM)</u>						
Australia (Blair Athol)	731	795	-8%	731	630	16%
Mongolia (BNU)	106	243	-56%	106	100	5%
Total	836	1,037	-19%	836	731	14%
<u>ROM Strip Ratio</u>						
Australia (Blair Athol)	9.7	7.0	40%	9.7	6.6	46%
Mongolia (BNU)	22.4	19.0	18%	22.4	11.2	100%
<u>Saleable Production</u>						
Australia (Blair Athol)	698	553	26%	698	598	17%
Mongolia (BNU)	106	243	-56%	106	100	5%
Total	804	795	1%	804	699	15%
<u>Coal Sales</u>						
Australia (Blair Athol)	797	492	62%	797	614	30%
Mongolia (BNU)	127	237	-46%	127	120	6%
Total	924	729	27%	924	734	26%
<u>Inventory (ROM)</u>						
Australia (Blair Athol)	62	163	-62%	62	198	-69%
Mongolia (BNU)	0	0	0%	0	0	0%
Total	62	163	-62%	62	198	-69%
<u>Inventory (Saleable)</u>						
Australia (Blair Athol)	165	219	-25%	165	219	-25%
Mongolia (BNU)	29	50	-42%	29	50	-42%
Total	194	269	-28%	194	269	-28%

Australia (Blair Athol)

The Blair Athol Mine achieved Coal Sales for the September Quarter of 795,532 tonnes, an improvement of 30% on the prior record set in the September 2018 Quarter. The record sales provide a platform for the Company to achieve its total Coal Sales forecast of 3 million tonnes² in the 2020 financial year.

The Company continued its focus on investing in the mine site to ensure efficient operations. With this in mind, the Company moved additional overburden during the quarter which was in advance of its requirements. The 2020 financial year forecasted strip ratio is 8.2 compared to a strip ratio of 9.7 for the September Quarter.

Mongolia (BNU)

During the quarter, Mongolia focused on finalisation of the transitioning and ramp up of Khishig Arvin to provide contract mining services at the BNU Mine in Mongolia.

REHABILITATION, SAFETY AND EXPLORATION

REHABILITATION

Queensland's Department of Science (DES) issued its Financial Assurance decision for the Blair Athol Mine on 2 July 2019. The Financial Assurance was reduced by a further \$701,943 to \$71,791,440. The Blair Athol Mine continues to advance its rehabilitation activities.

Image: CHPP and ROM Area, with Rehabilitated Tailings Dam (post-mulch application) in the background



² Refer to ASX Announcement on 20 March 2019 for further information and clarification on the Blair Athol production forecast. The material assumptions underpinning the Blair Athol production target in this ASX Announcement continues to apply and has not materially changed.

Image: Advancing Face Rehabilitation – South Pit



SAFETY

TerraCom promotes health and safety as a core value of the business. The wellbeing of our people is a key driver and the Company is committed to providing a safe working environment, whilst ensuring production targets are achieved.

During the quarter; TerraCom, along with our business partners and contractors, continued to focus on proactive management of high-risk activities, elimination of workplace injuries and enhancing the positive safety culture within the workforce.

The Company's Blair Athol Mine in Australia achieved a 12-month lost time injury frequency rate (LTIFR) of zero as well as 6-months free of Recordable Injuries.

EXPLORATION

TerraCom is currently finalising plans with a view to recommence exploration activity on some of its Australian tenements.

CORPORATE

MAIDEN DIVIDEND

On 23 October 2019, subsequent to quarter end, the Company declared a maiden dividend of 1 cent per fully paid ordinary share held. The dividend is an interim dividend and is unfranked.

The Board's adopted dividend policy is to pay a minimum dividend of 1 cent per fully paid ordinary share per 6 month reporting period.

This dividend represents an Annualised Dividend Yield of 4.7% (based on closing share price of \$0.43 on 21 October 2019). The Company will be paying this dividend by direct credit only and therefore requests all shareholders to review their bank account details ascribed to their security reference numbers.

The key milestone dates relevant to the dividend payment are as follows:

Milestone	Date
Record Date:	Wednesday, 30 October 2019
Ex-Dividend Date:	Tuesday, 29 October 2019
Dividend Payment Date:	Wednesday, 13 November 2019

DEBT RE-FINANCE

Placement of Insurance Bond

Subsequent to quarter end, on 4 October 2019, the Company announced that through Aon (acting as a facilitator) it has executed a binding term sheet with an Underwriter for the establishment of a \$72 million rehabilitation bonding facility for its flagship Blair Athol Mine.

The rehabilitation bonding facility requires a cash backing of \$45 million – thereby releasing \$27 million of Restricted Cash from the Company's Balance Sheet.

The Company expects the Insurance Bond to be issued (including cash release) in November 2019.

Convertible Bond

The Convertible Bond for US\$20 million has been included in the 2019 Annual General Meeting for approval by shareholders.

SUBSTANTIAL INTEREST IN UNIVERSAL COAL PLC

Subsequent to quarter end, on 30 October 2019, TerraCom reached a binding agreement to purchase a substantial shareholding in Universal Coal Plc (Universal or UNV) (ASX: UNV) via the acquisition of approximately 19.995% of the issued capital of Universal (representing 104.5 million securities) from Coal Development Holding B.V. for A\$34.6 million via a combination of Cash (A\$17.3 million) and TerraCom Equity (34.2 million fully paid ordinary shares in TerraCom at a deemed issue price of A\$0.5061).

The acquisition of the substantial interest in Universal aligns with the Company's ongoing corporate strategy by enabling the Company to enter into an emerging market, yet at the same time reducing the Company's sovereign risk profile with new investments in South Africa.

FINANCIAL PERFORMANCE

EBITDA	Sep 2019	Jun 2019	Change %	Sep 2019	Sep 2018	Change %
OPERATING EBITDA (AU\$ '000)						
<i>Australia (Blair Athol)</i>	18,060	20,928	-14%	18,060	32,394	-44%
<i>Mongolia (BNU)</i>	(1,637)	(2,519)	35%	(1,753)	(5,739)	69%
<i>Corporate</i>	(2,309)	(2,770)	-17%	(2,309)	(1,988)	16%
Total	14,114	15,638	-10%	13,998	24,667	-43%
OPERATING EBITDA PER TONNE (AU\$ / SOLD TONNE)						
<i>Australia (Blair Athol)</i>	23	43	-47%	23	53	-57%
<i>Mongolia (BNU)</i>	(13)	(11)	-21%	(14)	(48)	71%
Total	15	21	-29%	15	34	-55%

Australia (Blair Athol)

Blair Athol achieved A\$64 per tonne of coal sold excluding marketing fees and royalty. To combat the depressed thermal coal prices, the Company implemented a number of cost reduction strategies throughout the quarter which will begin to be realised in the December 2019 quarter. The Company is on target to achieve its forecasted A\$58 per tonne of coal sold excluding marketing fees and royalty.

FINANCIAL POSITION

Gross working capital of the Company as at 30 September 2019² includes the following:

- Cash and Cash Equivalents – A\$66.6 million.
- Trade Receivables – A\$30.7 million.
- Inventory (at revenue realisation value) – A\$19.2 million.

MINING TENEMENTS HELD AT THE END OF THE QUARTER

Tenement	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
MV-17162, MV-020800, MV-020803, XV-17163	100%	100%	Mongolia	Coal
XV-018142, XV-018797, XV-018802, XV-20281, XV-20539	100%	100%	Mongolia	Coal, Potash/ Gypsum, Brines
XV-12929	100%	100%	Mongolia	Coal
XV-018111, XV-018513, XV-020268, XV-12600, MV-19149, MV-16971	100%	100%	Mongolia	Coal
ML1804	100%	100%	Australia	Coal
EPC 1641	100%	100%	Australia	Coal
EPC 1300, EPC 1394, EPC 1477, EPC 1478, EPC 1479, EPC 2049	100%	100%	Australia	Coal
EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1964	100%	100%	Australia	Coal
EPC 1250, EPC 1260	64.4%	64.4%	Australia	Coal
EPC 1674, MDL 3002	87%	87%	Australia	Coal
EPC 1103	100%	100%	Australia	Coal
EPC 1872	100%	0%	Australia	Coal
EPC 1822	100%	0%	Australia	Coal

OTHER

Forward Looking Statement

This document contains summary information about, TerraCom, its subsidiaries, and its activities which are current as at the date of this document. The information in this document is general in nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in TerraCom or that would be required in a prospectus or product disclosure statement prepared in accordance with the Corporations Act 2001 (Cth). Information in this document should therefore be read in conjunction with other announcements made by TerraCom to the ASX.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information contained in this document (or any associated presentation, information or matters). To the maximum extent permitted by law, TerraCom and its related bodies corporate and affiliates, and their respective directors, officers, employees, agents and advisers, disclaim any liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this document or its contents, including any error or omission from, or otherwise in connection with, it.

Certain statements in or in connection with this document contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to capital cost, capacity, future production and grades, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will". By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside TerraCom's control. Accordingly, results, events or outcomes could differ materially from the results, events or outcomes expressed in or implied by the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, TerraCom undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Nothing in this document constitutes investment, legal or other advice. You must not act on the basis of any matter contained in this document but must make your own independent investigation and assessment of TerraCom and obtain any professional advice you require before making any investment decision based on your investment objectives and financial circumstances. An investment in TerraCom shares is subject to known and unknown risks, some of which are beyond the control of TerraCom. Investors should have careful regard to the risk factors outlined in this document.

This document does not constitute an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any security in any jurisdiction.

For further information, contact:

Danny McCarthy

Chief Executive Officer

P +61 7 4983 2038

E info@terracomresources.com

Nathan Boom

Chief Financial Officer

P +61 7 4983 2038

E info@terracomresources.com