



# QUARTERLY REPORT

## FOR THE QUARTER ENDED 30 JUNE 2018

TerraCom Limited (“**TerraCom**” or the “**Company**”) (**ASX: TER**) presents its quarterly production activities report for the quarter ended 30 June 2018.

### HIGHLIGHTS

- Blair Athol production milestones continued to improved quarter on quarter with ROM tonnes increasing by 317,000 tonnes or 78%; which when extrapolated implies a production run rate of 2.9Mtpa.
- The Blair Athol train load-out facility (TLO) achieved practical completion on the 2<sup>nd</sup> of April and first train loading commenced on the 6<sup>th</sup> of April 2018.
- The Blair Athol TLO cost approximately A\$12.3 million (including A\$3.3 million of cash security payments).
- With respect to rehabilitation, Blair Athol has now completed the capping of the old Tailings Storage Facility on site.
- Completed the acquisition of the 41 properties located in Clermont Township (including 39 houses, Guest House and Single Person Quarters) as part of the Company’s strategy to live local and not FIFO. These properties were financed through an initial AUD\$ 15 million loan facility with State Bank of India, Sydney Branch (SBI).
- Executed non-binding, “in-principle” mandate for SBI to re-finance the Company’s existing facilities – soft commitment of USD\$ 50 million from SBI, with interest range of 6% to 7% per annum for 3 or 5 years.

## CONSOLIDATED PRODUCTION

### Production Overview: Actual compared to Forecast for 3 Months Ending 30 June 2018

	ACTUAL	FORECAST	VARIANCE	VARIANCE %
ROM (tonnes)				
- Australia	724,972	810,000	(85,028)	-10%
- Mongolia	263,800	472,000	(208,200)	-44%
Total	988,772	1,282,000	(293,228)	-23%
Coal Sales (tonnes)				
- Australia	380,401	462,000	(81,599)	-18%
- Mongolia	268,819	450,000	(181,181)	-40%
Total	649,220	912,000	(262,780)	-29%

**Australia coal sales for the June 2018 quarter totalling 380,401 tonnes against a forecast of 462,000 tonnes. Due to supply chain delays during the quarter, the final shipment for the quarter, totalling 61,383 tonnes, was delayed to the first week of July.**

Mongolia coal sales for June 2018 quarter were down primarily due to major breakdown of the Caterpillar 6030 Excavator which is the primary digging unit on site, restrictions on trucking from customers early in the quarter and geotechnical problems on the Pit 2 highwall restricting coaling operations. All of these issues restricted delivery of saleable coal but have been addressed during the quarter.

### Production Overview: Quarter by Quarter for 12 Months Ending 30 June 2018

	Q1 Sep17	Q2 Dec17	Q3 Mar18	Q4 Jun18	TOTAL 2018FY
Run of Mine Coal mined (tonnes)	271,468	599,746	612,129	1,015,650	2,498,993
Overburden Mined (bcm)	5,584,092	7,238,321	7,272,177	6,617,336	26,711,926
Equivalent Saleable Production (tonnes)	271,468	563,799	499,038	896,529	2,230,834
Sales (tonnes)	158,583	474,882	622,491	649,220	1,905,176
Inventory (tonnes)	186,680	290,239	173,923	393,640	393,640

### Production: Year to Date – 12 Months Ending 30 June 2018

	2018 YTD	2017 YTD	CHANGE	CHANGE %
Run of Mine Coal mined (tonnes)	2,498,993	344,278	2,154,715	626%
Overburden Mined (bcm)	26,711,926	5,409,424	21,302,502	394%
Equivalent Saleable Production (tonnes)	2,230,834	344,278	1,886,556	548%
Sales (tonnes)	1,905,176	315,942	1,589,234	503%
Inventory (tonnes)	393,640	75,697	317,943	420%

## FINANCIAL POSITION

Gross working capital of the Company as at 30 June 2018<sup>4</sup> includes the following:

- Cash and Cash Equivalents – A\$13.9 million (includes A\$ 2.0 million Restricted Cash held as security by SBI as part of the initial facility established)
- Accounts Receivable – A\$13.5 million
- Inventory (at revenue realisation value) – A\$36.1 million

## FINANCIAL PERFORMANCE – JUNE 2018 QUARTER<sup>4</sup>

### CONSOLIDATED FINANCIAL PERFORMANCE

JUNE 2018 QUARTER	Actual	Forecast	Variance	Variance %
EBITDA (AU\$ '000)				
- Australia	18,252	19,404	(1,152)	-6%
- Mongolia	4,015	8,100	(4,085)	-50%
- Corporate	(1,225)	(1,700)	475	-28%
Total	21,041	25,804	(4,763)	-18%
EBITDA/ Cash Margin (AU\$ per tonne)				
- Australia	48	42	6	14%
- Mongolia	15	18	(3)	-17%
- Corporate	(2)	(2)	(0)	1%
Total	32	28	4	15%

### BLAIR ATHOL FINANCIAL PERFORMANCE

JUNE 2018 QUARTER	Actual	Forecast	Variance	Variance %
- ROM (t)	724,972	810,000	(85,028)	-10%
- Coal Sales (t)	380,401	462,000	(81,599)	-18%
- Average Revenue (AU\$/t)	103	103	(0)	0%
- Average Cash Cost (AU\$/t)	55	61	6	10%
- EBITDA/ Cash margin (AU\$/t)	48	42	6	14%
- EBITDA (AU\$ '000)	18,252	19,404	(1,152)	-6%

Coal sales for the June 2018 quarter totalling 380,401 tonnes against a forecast of 462,000 tonnes. Due to supply chain delays during the quarter, the final shipment for the quarter, totalling 61,383 tonnes, was delayed to the first week of July.

#### BNU FINANCIAL PERFORMANCE

JUNE 2018 QUARTER	Actual	Forecast	Variance	Variance %
- ROM (t)	263,800	472,000	(208,200)	-44%
- Coal Sales (t)	268,819	450,000	(181,181)	-40%
- Average Revenue (AU\$/t)	72	76	(4)	-5%
- Average Cash Cost (AU\$/t)	57	58	1	1%
- EBITDA/ Cash margin (AU\$/t)	15	18	(3)	-17%
- EBITDA (AU\$ '000)	4,015	8,100	(4,085)	-50%

Mongolia coal sales for June 2018 quarter were down primarily due to major breakdown of the Caterpillar 6030 Excavator which is the primary digging unit on site, restrictions on trucking from customers early in the quarter and geotechnical problems on the Pit 2 highwall restricting coaling operations. All of these issues restricted delivery of saleable coal but have been addressed during the quarter.

## FINANCIAL FORECAST – SEPTEMBER 2018 QUARTER

#### CONSOLIDATED FORECAST PERFORMANCE

- The Company is forecasting for the September 2018 quarter (next quarter) to have consolidated sales of 1,003,000 tonnes of coal – consisting of 713,000 tonnes of thermal coal from Blair Athol Mine and 290,000 tonnes of coking coal from BNU Mine.
- The Company is forecasting a cash margin (EBITDA) of A\$50 per sales tonne at Blair Athol and A\$15 per sales tonne at BNU for the September 2018 quarter.
- This is forecast to deliver a consolidated EBITDA (cash margin before interest and tax) of A\$38.30 million for the quarter – consisting of A\$35.65 million from Blair Athol Mine, A\$4.35 million from BNU Mine, and after A\$1.70 million of Corporate and Overhead costs.

#### BA FORECAST PERFORMANCE

Forecast performance for September 2018 quarter is as follows:

- Production<sup>1</sup>
  - Run of Mine Coal – 476,000 tonnes.
  - Equivalent Saleable Coal – 405,000 tonnes.
  - Coal Sales – 713,000 tonnes.

Due to the stockpile size of 312,119 tonnes at 30 June 2018, the Company has made the decision to have a mini-Dragline shutdown during the quarter in order to mitigate its risk in operations.

- Financial
  - Average revenue received per sales tonne to be A\$125.

- Cash margin (EBITDA) per sales tonne to be A\$50.
- Cash margin (EBITDA) contribution of A\$35.65 million.

### **BNU FORECAST PERFORMANCE**

Forecast performance for September 2018 quarter is as follows:

- Production<sup>3</sup>
  - Run of Mine Coal – 315,000 tonnes
  - Equivalent Saleable Coal – 315,000 tonnes
  - Coal Sales – 290,000 tonnes
- Financial
  - Average revenue received per sales tonne to be A\$79, sold as a Run of Mine (unwashed) product at the BNU mine gate.
  - Cash margin (EBITDA) per sales tonne to be A\$15.
  - Cash margin (EBITDA) contribution of A\$4.35 million.

## **CORPORATE**

### **OPTIONS CONVERSION**

Foster Stockbroking Pty Limited, pursuant to its Corporate Services Engagement as announced on 29 August 2016, converted there 1.5 million options at an exercise price of 30 cents into fully paid ordinary shares in two equal parcels on 7 June 2018 and 5 July 2018.

As at 30 June 2018 the Company had 377.8 million fully paid ordinary shares on issue.

### **FINANCING**

TerraCom's wholly owned subsidiary Clermont Logistics Pty Limited has completed the acquisition of 41 properties in Clermont, including 39 houses, Guest House and Single Person Quarters (Clermont Properties).

The Clermont Properties were financed through an initial AUD\$ 15 million loan facility provided by State Bank of India, Sydney Branch (SBIS) which has an applicable interest rate of 1 Month Bank Bill Swap Rate plus 575 basis points. As at 30 June 2018 the interest rate was 7.80% per annum; which represents the lowest cost of capital of all of TerraCom's financing facilities.

Following on from receiving bilateral sanctioning, the State Bank of India have signed a non-binding, "In Principle" mandate to act as lead lender for the re-finance of TerraCom's existing financing facilities through the creation of a syndicated loan.

*"We are inclined to be partnering with TerraCom for part funding of refinancing facility which has substantial growth potential, not only in Australia, but internationally ... The re-financing of TerraCom's facilities are subject to necessary sanction and stipulation of both financial and non-financial covenants which is likely to be re-financed at interest rates in the range of 6% to 7% per annum for 3 years or for 5 years ... The State Bank of India will endeavour to convey a commitment of USD\$ 50 million of the new refinancing facility."* stated Pranay Kumar, Chief Executive Officer of State Bank of India, Sydney Branch.

During the quarter the Company paid ~US\$4.3 million interest in accordance with its Euroclear Listed Ordinary Notes requirements. The Company elected to PIK 50% of the interest. The Company is of the opinion this will be the last time that it PIK's the interest on the Euroclear Listed Ordinary Notes.

## OPERATIONS – AUSTRALIA

### PRODUCTION – BLAIR ATHOL THERMAL COAL MINE

Blair Athol continued to set new production milestones quarter on quarter. Production highlights:

- ROM tonnes mined implies an extrapolated production run rate of approximately 2.9Mtpa.
- ROM tonnes increased quarter on quarter by approximately 317,000 tonnes or 78%.
- Inventory increased quarter on quarter by approximately 220,000 tonnes or 240%.

#### Production Overview: Quarter by Quarter for 12 Months Ending 30 June 2018

	Q1 Sep17	Q2 Dec17	Q3 Mar18	Q4 Jun18	TOTAL 2018FY
Run of Mine Coal mined (tonnes)	124,250	317,746	407,952	724,972	1,574,920
Overburden Mined (bcm)	2,221,357	3,739,744	4,348,459	3,939,305	14,248,865
Equivalent Saleable Production (tonnes)	124,250	281,799	294,861	605,851	1,306,761
Sales (tonnes)	46,461	158,087	409,693	380,401	994,642
Inventory (tonnes)	77,789	201,118	91,615	312,119	312,119

#### Production: Year to Date – 12 Months Ending 30 June 2018

	2018 YTD	2017 YTD	CHANGE	CHANGE %
Run of Mine Coal mined (tonnes)	1,574,920	NA	NA	NA
Overburden Mined (bcm)	14,248,865	NA	NA	NA
Equivalent Saleable Production (tonnes)	1,306,761	NA	NA	NA
Sales (tonnes)	994,642	NA	NA	NA
Inventory (tonnes)	312,119	NA	NA	NA



*Image – East Pit.*

#### **TRAIN LOAD OUT COMMISSIONING - BLAIR ATHOL THERMAL COAL MINE**

As announced previously, the new train load-out facility (TLO) achieved practical completion on the 2<sup>nd</sup> of April and first train loading commenced on the 6<sup>th</sup> of April 2018.

The Blair Athol TLO cost approximately A\$12.3 million (including A\$3.3 million of cash security payments).

The train load-out facility upgraded the existing unused Agricultural rail line which runs across the Blair Athol mine site and connects into the main Goonyella Rail Line, which then continues to Dalrymple Bay Coal Terminal (DBCT).

The commissioning of the train load-out facility has allowed the company to cease trucking product to the alternate rail load out facility with 100% of all product now transported through the new dedicated train load-out facility at Blair Athol.



*Image – Train Load Out.*

## **REHABILITATION AND ENVIRONMENT**

With respect to rehabilitation, the capping of the old tailings storage facility (TSF) has been completed ahead of schedule.

On 30 July 2018, the Queensland Government's Department of Environment and Science amended the financial assurance requirements for the Blair Athol mine from A\$74,919,334 to A\$72,493,383.



*Image – TSF capping completed, decant calls in bottom right corner.*



*Image – TSF embankment completed.*

Monitoring of the recently completed rehabilitation areas continued during the quarter. Detailed planning for rehabilitation in FY19 is well underway.



*Image – Rehabilitation completed during the last 12 months whilst re-commissioning the mine.*

## **MARKETING**

As previously announced the Company's Blair Athol Train Load Out was commissioned on 2<sup>nd</sup> April 2018 and the first train was loaded on 6<sup>th</sup> April 2018.

Coal sales for the June 2018 quarter totalling 380,401 tonnes against a forecast of 462,000 tonnes. Due to supply chain delays during the quarter that the final shipment for the quarter, totalling 61,383 tonnes, was delayed to the first week of July.

The Company is also pleased to confirm that for the September 2018 quarter it has secured sales for 690,000 tonnes at a forecast average price of US\$94 per tonne and will look to lock in the final 23,000 tonnes of sales in coming weeks to complete the quarter forecast sales of 713,000 tonnes<sup>1</sup>. The sales mix is focussed on Japan (38%) and Korea (48%).

The Company continues to deliver its trial shipments into the lucrative Japan and Korea thermal coal markets. The Company's goal is to place 1.3 to 1.5 mtpa into Japan and Korea, and the balance placed into the spot market. Following the completion of the trial shipments the Company expects premium prices in the long term compared to the June 2018 quarters average realised price.

### **BLAIR ATHOL THERMAL COAL MINE – PRODUCTION FINANCIAL YEAR 2019**

To take advantage of the forecast strong thermal coal market a revised production schedule for Blair Athol has been developed which will deliver 2.5Mt<sup>1</sup> of sales during the 2019 financial year.

Refinements have also been made to the coal processing and train loading system to deliver these increased annual outputs including:

- Installation of by-pass crusher system at the Train Load Out to increase throughput and reduce haulage costs
- Installation of jaw crusher on the front end of the coal preparation plant feed to improve yield and throughput

### **SAFETY**

During the quarter TerraCom, along with mining contractor' Link Mining Services, continued its elevated focus on pro-active risk control and enhancing the positive safety culture within the workforce. The awards system previously introduced to reward positive contributions to safety has had some exceptional nominations.



*Image – Blair Athol Train Load Out Product Stockpiles with By-Pass Crusher System*



*Image – Blair Athol Coal Processing Plant with Jaw Crusher on Feed*

## BUSINESS DEVELOPMENT – AUSTRALIA

### SPRINGSURE PROJECT

TerraCom is pleased to confirm that during the quarter it recommenced exploration activities within the Springsure Project MDL 3002 area. This tenement is owned by Springsure Mining Pty Ltd, of which TerraCom is 36% shareholder. The exploration program will conclude around the end of August 2018, which includes four (4) exploration drill holes. Once finalised, and should there be any material changes, the Company will make a relevant announcement.

In addition, the Company is finalising its plans to complete exploration and feasibility on its wholly owned adjoining tenement EPC1103 (otherwise known as Fernlee Project).

## OPERATIONS - MONGOLIA

### PRODUCTION – BNU COKING COAL MINE

Production Overview: Quarter by Quarter for 12 Months Ending 30 June 2018

	Q1 Sep17	Q2 Dec17	Q3 Mar18	Q4 Jun18	TOTAL 2018FY
Run of Mine Coal mined (tonnes)	147,218	282,000	204,177	290,678	924,073
Overburden Mined (bcm)	3,362,735	3,498,577	2,923,718	2,678,031	12,463,061
Equivalent Saleable Production (tonnes)	147,218	282,000	204,177	290,678	924,073
Sales (tonnes)	112,122	316,795	212,798	268,819	910,534
Inventory (tonnes)	108,891	89,121	82,308	81,521	81,521

Production: Year to Date – 12 Months Ending 30 June 2018

	2018 YTD	2017 YTD	CHANGE	CHANGE %
Run of Mine Coal mined (tonnes)	924,073	344,278	579,795	168%
Overburden Mined (bcm)	12,463,061	5,409,424	7,053,637	130%
Equivalent Saleable Production (tonnes)	924,073	344,278	579,795	168%
Sales (tonnes)	910,534	315,942	594,592	188%
Inventory (tonnes)	81,521	75,697	5,824	8%



Image – Pit 3 operations



*Image – Pit 3 operations*

## **SAFETY**

The BNU coking coal mine has maintained its excellent safety record, with operation continuing throughout the quarter without any Lost Time Injury (LTI) incidents occurring. By 30 June 2018, a total of 3,404,561 man-hours have been worked across 2,001 calendar days without LTI, and it remains that not a single LTI event has been recorded for employee or contractor since project construction commenced in 2013.

## **BUSINESS DEVELOPMENT – MONGOLIA**

### **THICK COAL DEPOSIT DISCOVERED AT BNU IN MONGOLIA<sup>2</sup>**

Exploration activity continued during the quarter, targeting shallow open cut mineable coal within its Mongolian Mining licences along the projected 50km of Noyon coal basin sub crop of has uncovered a new Permian coal deposit 12 km south of the BNU Coking Coal Mine infrastructure, within the BNU mining licence, in the South Gobi of Mongolia.

Multiple coal intersections have occurred along the 5km of strike drilled to date, with intersections of up to 122m of total gross coal recorded at downhole vertical stripping ratio as low as 0.35:1.

Phase 1 drilling consisted of 42 PCD holes for 6,803m utilising three Drill-Tech HYDX-5A drill rigs supplied and operated by Universal Drilling LLC. Full downhole geophysical survey was conducted by Monkarotaj LLC, using a Weatherford unit.

Coal intersections occurred along the 5 km of strike drilled. Very thick coal intersections, with up to 122m total gross coal, were determined within what is now considered a “High Priority Area” for further drilling, approximately 600m long by 300m wide. The large shallow coal intersections in this area are by far the thickest thus far discovered within the Company’s licenses in Mongolia.

TerraCom has already commenced Phase 2 drilling with focus on the High Priority Area of thick coal intersections, to increase geological confidence. Exploration will include PCD drilling and PQ core drilling. In parallel, work streams have been activated to expedite the commencement of mining this

deposit on the assumption further exploration will confirm the target.

Coal quality samples have been taken with results and modelling expected to be completed by the end of Quarter 3 2018 calendar year. Additional PCD and PQ drilling is planned and in progress for increased definition and confidence to potentially expedite development of this deposit targeting Quarter 4 2018 calendar year. Further announcements will be made as the plans progress.

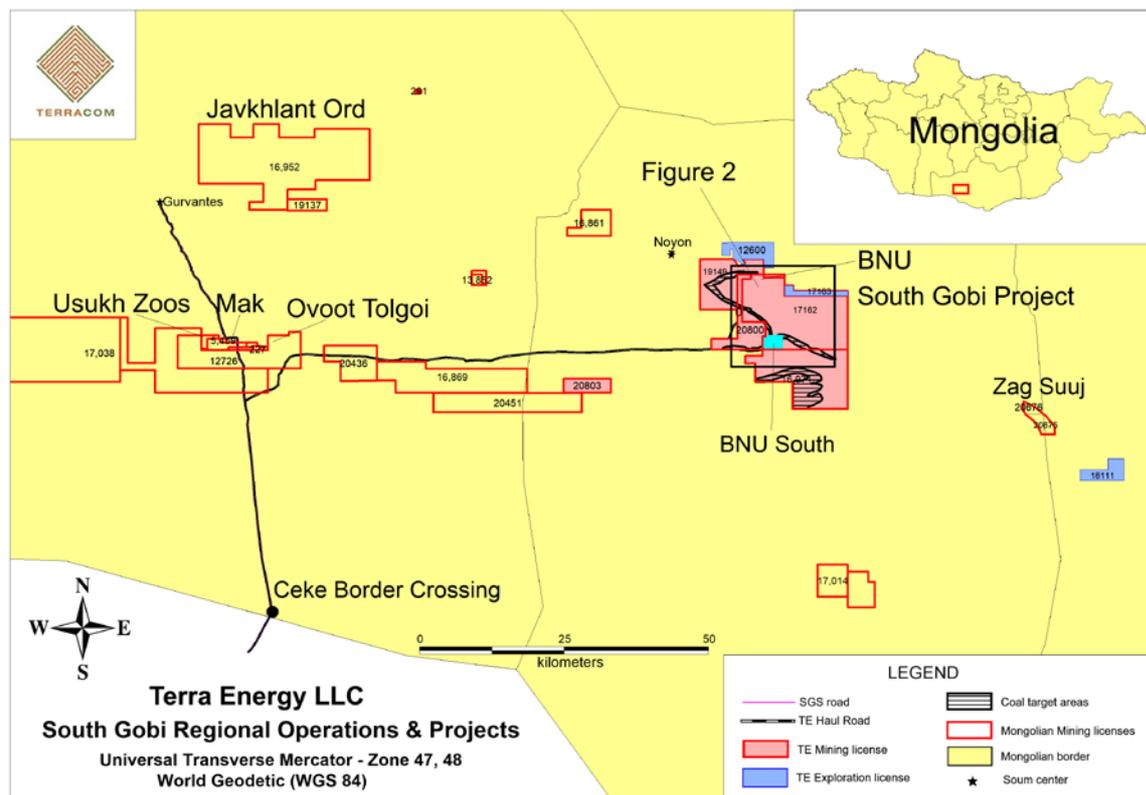


Image – Regional Map of BNU South and BNU Coking Coal Mine.



*Image – Exploration drilling at BNU South.*

### **BNU ON-SITE CHPP**

Long form contracts remain executed with Guohua Technology Corporation (GTC) for the design and construction of a coal handling and processing plant (CHPP) for the BNU coking coal mine. Commencement of construction has been delayed following deliberate focus of resources (cash and personnel) on the construction and commissioning of the Blair Athol train dedicated loadout facility (refer Operations – Australia for further details on this).

Whilst construction has not commenced, further refinement of the project has been initiated following engagement of Conveyor Manufacturers Australia Pty Ltd (CMA). Feasibility study remains in progress, the results of which aims to deliver a more profitable fully financed solution for the CHPP facility.

The Company is forecasting for the CHPP to be operational in first quarter 2019 calendar year. The CHPP will deliver additional cash margin through:

- Increased revenue per tonne at the BNU mine gate through reduction in distribution and trucking costs (transporting only clean coal); and
- Improvement in yields of 3-6% due to CHPP designed specifically to deal with fines (CHPP set up to optimise BNU coal yields).

## 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-020139, XV-020329	100%	100%	Mongolia	Coal
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 1480, EPC 1574, EPC 2047, EPC 2049, EPC 2105	100%	100%	Australia	Coal
EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1963, EPC 1964	100%	100%	Australia	Coal
EPC 2503, EPC 2504	100%	100%	Australia	Coal
EPC 1250, EPC 1260	64.4%	64.4%	Australia	Coal
EPC 1674, MDL 3002	35.78%	35.78%	Australia	Coal
EPC 1103	0%	100%	Australia	Coal
EPC 2256	100%	100%	Australia	Coal
EPC 1872	100%	100%	Australia	Coal
EPC 1822	100%	100%	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.

## ABOUT TERRACOM – TERRACOMRESOURCES.COM

TerraCom has fully commissioned the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi of Mongolia. Export shipments under a 5.5 year offtake agreement have commenced on schedule. 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 completed the acquisition of the Blair Athol Coal Mine in May 2017. The acquisition included the mining lease, related licenses, land, site infrastructure, active contracts and all mining plant & equipment, including a dragline, to deliver TerraCom's forecast production schedule and the progressive rehabilitation.

The acquisition of the Blair Athol Coal Mine is a significant milestone for TerraCom, bringing the following benefits:

- Progressive rehabilitation of one of Queensland's oldest coal mines;
- The resumption of coal mining and export sales from the Blair Athol Coal mine providing the local, state and federal economies with increased economic activity, employment, royalties and taxation; and
- Forecast positive cash flow through a low overhead structure and operational efficiencies.

TerraCom has completed over 50 hectares of site rehabilitation while bringing the mine back into production. The operation, under TerraCom management, is planned to deliver approx. 2Mtpa over 9 years<sup>1</sup> and ongoing progressive rehabilitation.

Additionally, TerraCom has long term exploration plans with the intent on developing two projects in Queensland, Australia: the large thermal coal Northern Galilee Project and the high energy prime thermal coal Springsure Project.

1– Refer to ASX Announcement on 13 February 2018 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.

2– Refer ASX Announcement on 6 June 2018 for further information and clarification on the BNU South exploration results. The supporting information provided in this initial market announcement continues to apply and has not materially changed.

3– Refer 21 November 2016 ASX Announcement for further information and clarification on the BNU Mine production forecast. The material assumptions underpinning the BNU Mine production target in the 21 November 2016 ASX Announcement continues to apply and has not materially changed.

4– Based on management accounts, subject to audit.

**Please contact Nathan Boom, on +61 7 4983 2038 or at [info@terracomresources.com](mailto:info@terracomresources.com) for further information.**



**Nathan Boom**  
Company Secretary