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ASX Announcement

Blair Athol Mining Contract Executed

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) through its wholly owned subsidiary Orion Mining Pty Limited (Orion) is pleased to announce that it has executed a contract with Link Mining Services Pty Ltd (Link Mining) for a full service mining contract at the Blair Athol coal mine. The agreement is for 5 years and will cover all operational aspects. The contract will become effective on mining lease title transfer.

TerraCom and Link Mining are now finalising a detailed Mobilisation and Integration plan which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team.

A key element of the contract is the provision, through Link Mining, of AUD\$11.6 million. The funding will be utilised as follows:

- o AUD\$4.1 million be paid to TerraCom to be utilised for general working capital requirements; and
- o AUD\$7.5 million be paid for upfront recommencement mining and beneficiation costs.

The provision of the funding has resulted in Link Mining paying for all material mining and beneficiation recommencement costs. And thereby reducing TerraCom's exposure substantially for recommencement cost activities.

This funding is in addition to the US\$12m in new funding (announced to the ASX on 29th September, 2016) to support the commissioning of the Blair Athol Coal Mine.

Background on Blair Athol Coal Mine Acquisition

TerraCom recently announced that its wholly owned subsidiary Orion Mining Pty Ltd, has executed a binding Sale and Purchase Agreement to acquire the Blair Athol Coal Mine in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV) under the terms as previously disclosed and subject to Queensland Government approval and certain other conditions precedent.

TerraCom plans initially to commence over 50 hectares of site rehabilitation while bringing the mine back into production. Production is being scheduled around a rate of 2Mtpa of coal with a target of recommencing operations in the 4th Quarter 2016 and achieving first coal sales by the

end of 2016.

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
- Forecast positive cash flow through a low overhead structure and operational efficiencies

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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 recently announced that it has entered into an agreement to acquire the Blair Athol Coal Mine in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in 2016.

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.

Please contact Nathan Boom, on +61 2 4268 6258 or at info@terracomresources.com for further information.



Cameron McRae
Executive Chairman