



TerraCom Limited
34 Hewitts Avenue
Thirroul, New South Wales, 2515
Australia
+61 2 4268 6258
ABN: 35 143 533 537
www.terracomresources.com

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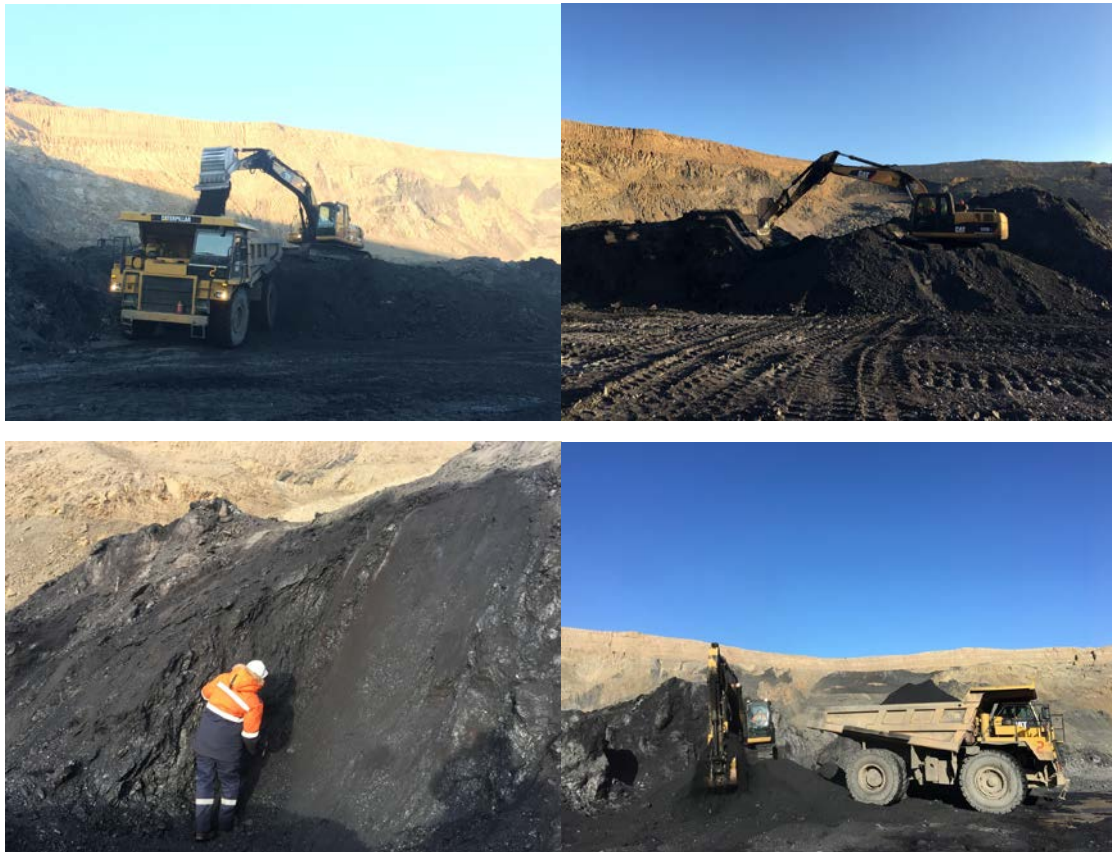
ASX Announcement

BNU Hard Coking Coal Mine Activities Update

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) is pleased to provide a further update on positive progress made across on a number of critical business activities in Mongolia.

Coal Mining Ahead of Schedule

As previously announced, recommissioning of BNU Coal Mine in Mongolia is complete and the mine is in full production. The Company is pleased to announce that coal is flowing from the mine ahead of schedule, in preparation to supply product for the recently executed offtake agreement for sales of hard coking coal (HCC) to the Kingho Group. Coal production was achieved on 22nd January, 10 days ahead of schedule, whilst continuing the strong injury free record at the mine.





Images: Coal mined and delivered to ROM stockpile at BNU Hard Coking Coal Mine

Kingho Offtake Agreement LC

The Company is also pleased to announce that as part of the recently executed Kingho Group offtake agreement for sales of hard coking coal (HCC) produced from the BNU Coal Mine, that the first 100% USD Irrevocable Letter of Credit (LC) has been received for sales of January / February 2017 production tonnes from the mine.

The LC has been issued by Agricultural Bank of China, and receipt has been confirmed by the TerraCom Mongolian banking counterpart. The tonnage and pricing were agreed by Kingho and the Company at the start of the month in line with the terms of the agreement, with the price linked to a commercially in confidence minegate pricing structure that reflects the seaborne market.

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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 has announced that it has reached agreement to acquire the Blair Athol Coal Mine (BA) in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in early 2017. The approval for transfer of the BA mining lease is progressing through the Government of Queensland process.

The combination of BNU HCC Mine and the Blair Athol Thermal Coal Mine positions TerraCom well to capitalise on the strong coal coking and thermal coal markets through commencement of operations at both BNU Mine and BA Mine.

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.

A handwritten signature in black ink, appearing to read 'C. McRae', written in a cursive style.

Cameron McRae
Executive Chairman