



May 4, 2015

## Terra Energy Attains New Mongolian Licence Baruun Termes Exploration Licence

**Terra Energy (the Company)** is pleased to announce that on April 27, 2015 it has been granted a new exploration licence by the Minerals Resource Authority of Mongolia (MRAM).

The **Baruun Termes** exploration licence ID NE-025374 complements Terra Energy's current coking coal assets in Mongolia. The licence is located in the Karkhiraa coking coal basin in close proximity to the Huden and Huwtiin coal mining licences. The 111.7 km<sup>2</sup> licence has been granted for a term of 3 years. Following the 3-year term, a further 3 years can be granted in stages, up to 12 years, following approval by MRAM.

### Location

The **Baruun Termes** licence is located in the UVS province of North West Mongolia, approximately 60 km North of the Provincial centre Ulaangom. The Provincial centre is accessible by road and a regular aircraft service from the Mongolian capital Ulaanbaatar.

The road, which transects the licence, provides access from Ulaangom to the Russian border crossing, 12 km to the North at Borshoo. Two local towns (Soum) Davst and Sagil are located in close proximity to the licence.



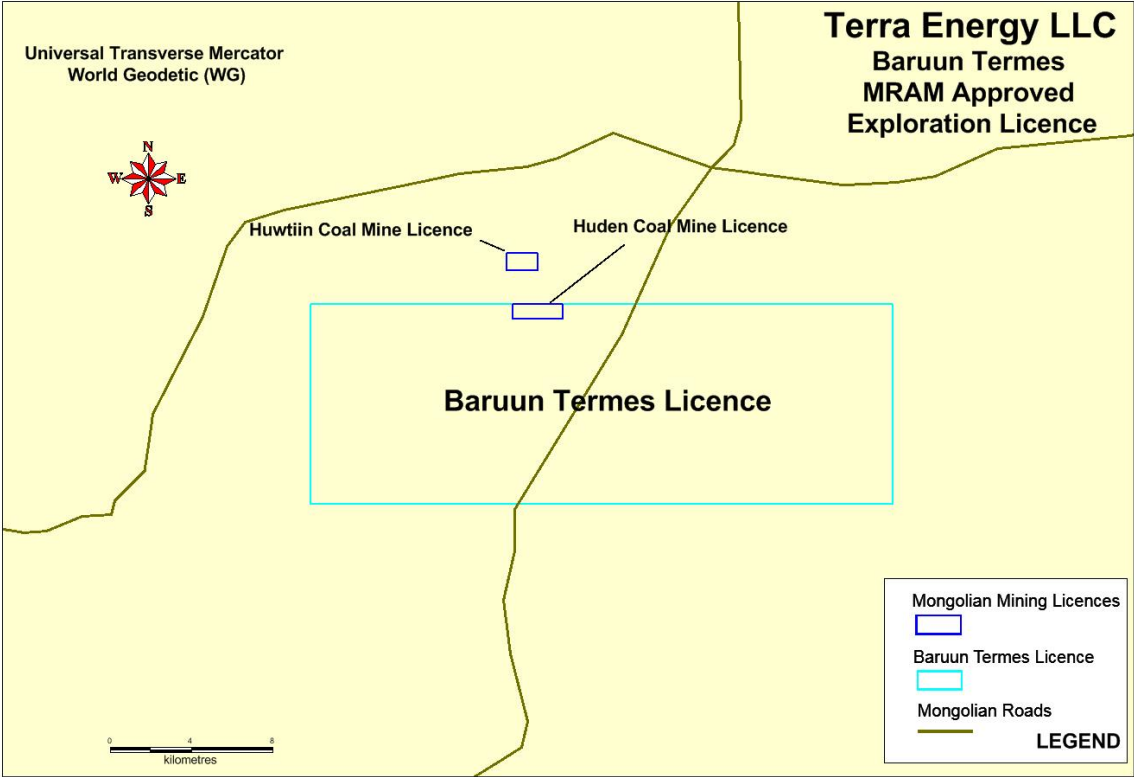
**Infrastructure**

The **Baruun Termes** licence is 12km East of a major 220Kw power line, which runs from Russia to Mongolia. The road between Ulaangom and Borshoo provides easy access to the border crossing and Tuvan Republic of Russia.

**Resource / Geology**

The Karkhiraa coal basin in North West Mongolia, where the **Baruun Termes** licence is located, is known for its high quality Carboniferous coking coal deposits. The licence is in close proximity to the Huden and Huwtiin coal mining licences, which target the Huden formation. The Huden coal deposit and mining licence are situated immediately to the North of the Baruun Termes exploration licence.

The Huden deposit was first discovered by Russian miners in 1971. In 1977, a 9 million tonnes resource of coal was calculated at a depth of 30m across C1 and C2 Carboniferous formations of the Huden formation. Further exploration work in 1984 and 1985 included diamond drilling and trenching which delineated 7 coal seams. The quality of the coal is not defined in the historical reports, however field observations indicate coal at surface contained zones of black coal with a bituminous lustre.



## **Exploration**

The Company's exploration strategy for the Baruun Termes licence is to promptly develop a potential resource to JORC and MRAM standards. Terra Energy will commence with the high prospective target to the North of the licence, in close proximity to the existing mining licences. Initial works will include scaled mapping and ground geophysical survey, to define and confirm priority targets, followed by trenching and initial non-cored drill holes, to determine resource structure and potential size. Finalisation of the resource definition will include cored drill holes and full coal quality assessment for JORC and MRAM resource standards. The exploration strategy is designed cost effectively: targeting cored exploration holes of the resource will enable savings on high cost prospective drilling.

Terra Energy has recently transitioned from being an explorer to miner. Production at the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia successfully restarted in late 2014. 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.