



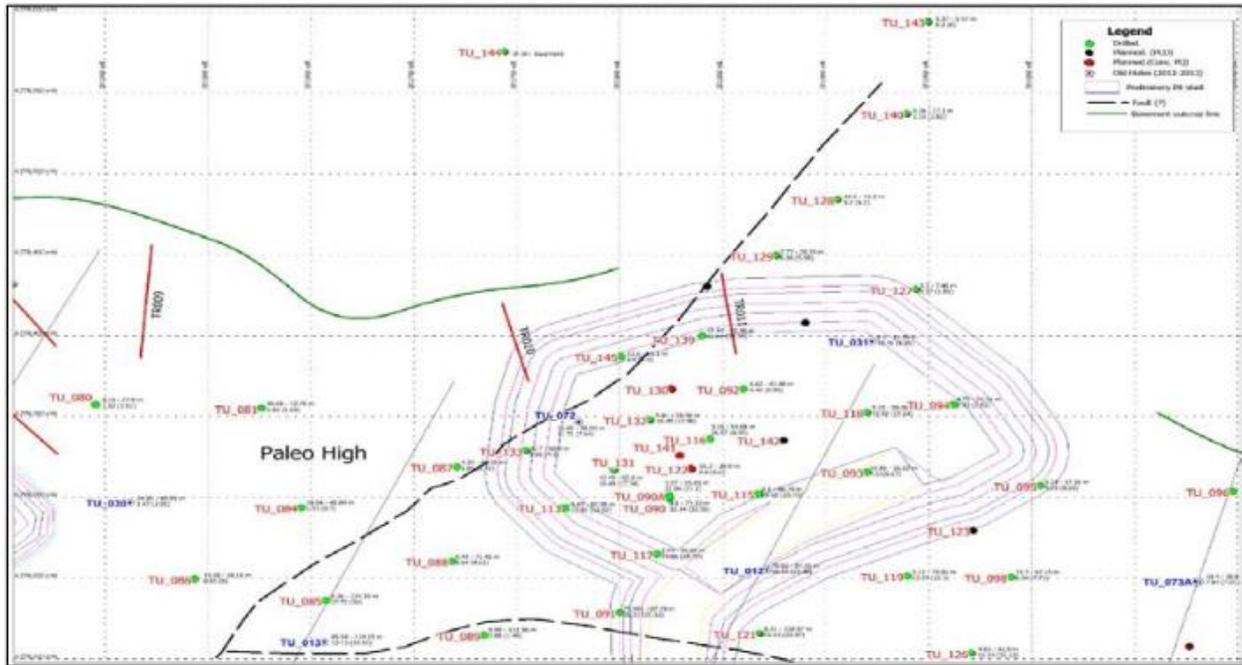
July 21, 2015

Shallow Coking Coal 'Micro Basin' Uncovered at BNU Mine

Terra Energy is pleased to announce that in June 2015, an extensive exploration program at its Mongolian Baruun Noyon Uul (BNU) Mine uncovered a shallow coking coal 'micro basin'. The exploration program focused on increasing mining and mine planning confidence with 91 exploration drill holes completed. These were both proximal and to the east of BNU's current pit for a total of 5,211 metres with an average hole depth of 57.4 metres. The holes include 85 PCD or rotary holes with full downhole geophysical survey conducted by Weatherford Geophysics and 6 PCD core holes for coal quality analysis. The program utilized 3 drill rigs, 2 Sandvik DE710 from contractor MMID LLC, and 1 from contractor MERA LLC, a DM45 Atlas Copco.

The micro basin is an elongate (c. 500 metres long and 200 metres wide) fault-bounded structure characterised by thick coal seams, up to 45 metres gross and 35 metres net coal to the near east of BNU Mine (200 metres from the current pit). These large shallow coal intersections are by far the thickest ever discovered at the Company's leases in the Noyon sub-basin.

Terra Energy has commenced the BNU East Pit in order to expose the low strip ratio coking coal as quickly as possible.



A total of 47 holes, with aggregated depth of 3,199 metres were drilled to the near east of BNU, with 26 drilled within the micro basin. These 26 holes had an average depth of 75 metres with average coal thickness of 14 metres, compared to the programs average net coal thickness 9.7 metres. Drilling further east of the micro basin also had significant coal intersections and remains an area for further exploration.

2015 Exploration Drilled holes in PIT2 (micro basin)

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#	Borehole Name	Total Drilled Depth	Net Coal (m)	Easting	Northing	Elevation	Azimuth	Dip/ inclination	Geophysics' Depth	Hole Type	Drilling Type
1	TU_090	88	35.14	283823.9	4776298.7	1627.9	0	90	86.5	Open	PCD
2	TU_90A	50	22.04	283823.9	4776300.9	1627.9	0	90	47	Core	PQ
3	TU_091	131	20.51	283799.9	4776228.7	1626.9	0	90	127.5	Open	PCD
4	TU_092	70	9.42	283860	4776366.9	1628	0	90	66	Open	PCD
5	TU_093	72	7.01	283920	4776315.5	1626.8	0	90	70	Open	PCD
6	TU_094	41	2.93	283962	4776337.4	1629.6	0	90	37	Open	PCD
7	TU_095	77	9.25	284004.1	4776307	1627	0	90	76.8	Open	PCD
8	TU_098	88	8.54	283989.7	4776250.5	1625.1	0	90	88	Open	PCD
9	TU_113	101	15.93	283773.3	4776293.7	1628.5	0	90	97.5	Open	PCD
10	TU_115	79	24.65	283867	4776302.3	1626.9	0	90	78	Open	PCD
11	TU_116	73	26.57	283840.1	4776335.1	1627.7	0	90	70	Open	PCD
12	TU_117	130	19.86	283815.1	4776270.6	1627.5	0	90	128	Open	PCD
13	TU_118	54	13.81	283914.3	4776353.6	1627.7	0	90	53.5	Open	PCD
14	TU_119	94	12.27	283936	4776248.5	1625.4	0	90	93.2	Open	PCD
15	TU_121	118	21.63	283869.2	4776216.6	1625.8	0	90	112	Open	PCD
16	TU_122	31	9.8	283834.7	4776317.5	1627.8	0	90	0	Core	PQ
17	TU_127	21	2.37	283963	4776392.1	1630.5	0	90	17.4	Open	PCD
18	TU_128	83	5.2	283943.7	4776456.6	1630.6	0	90	83	Open	PCD
19	TU_129	33	6.38	283876	4776449.6	1630.3	0	90	30	Open	PCD
20	TU_131	113	19.49	283796.9	4776316.8	1628.4	0	90	110.2	Open	PCD
21	TU_132	96	14.49	283780.6	4776376.6	1629.2	0	90	90	Open	PCD
22	TU_133	89	5.65	283754.4	4776328.7	1628.2	0	90	89	Open	PCD
23	TU_139	52	21.61	283839.7	4776399.9	1630	0	90	51.8	Open	PCD
24	TU_141	65.5	14.3	283828.9	4776325.8	1627.9	0	90	65.5	Core	PQ
25	TU_142	56.4	20.48	283879.5	4776335.2	1627.5	0	90	56.4	Core	PQ
26	TU_145	43	1.5	283800.6	4776386.9	1629.4	0	90	42.8	Open	PCD
Total		1948.9							1867.1		
Average depth (Thickness)		74.96	14.12						71.81		

A total of 137 raw ply samples have been taken from BNU east pit for detailed coal quality analysis. These results are still ongoing but initial raw results show a high quality coking coal product. Coal working section composite and float sinks will proceed.

Raw results of non-oxidized coal within working sections for TU-9 0A.

Total samples	Sample count (non oxidized and potential working section)	Hole number	TM (AR)	IM (AD)	ASH (DB)	VOL (DB)	FC (DB)	TOTAL SULFUR (DB)	GCV (DB) kcal/kg	TRD (DB)	CSN	GINDEX
70	50	TU_090A	3.00	0.28	10.74	25.72	63.54	0.67	7680.85	1.35	7.78	88.20

Further exploration is planned to be completed later in the 2015 season with the target of defining further possible 'micro basins' along strike lines to the east and west of the current pits.

Mining commenced on the BNU East on June 29th 2015 and has progressed quickly to uncover coal seams as shown by the following portfolio of photos:





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.