



July 15, 2015

## **Terra Energy advises H2 2015 Production Forecast and Secures Two New Mongolian Licenses**

### **BNU Coking Coal Mine H2 2015 Production Forecast**

Terra Energy (the Company) is pleased to provide production forecast for the second half of 2015 at its Baruun Noyon Uul (BNU) coking coal mine in Mongolia. The initial commissioning pit has been successful in confirming the BNU coking coal product quality and the value in use proposition it presents to the Chinese steel makers. The revision is a result of increased ongoing resource definition as part of our operating strategy and a subsequent detailed review of the short-term mine plan focused on positive cash returns during the current low price cycle. This has resulted in the BNU operation opening up a new lower strip ratio mining area, which was supported by encouraging results of further in-fill exploration as part of the next stage of the BNU mine.

This operational strategy should enable the company to ramp up and achieve the goal of 125,000 tons per month production rate, during H2 2015.

## Baruun Termes Exploration Licenses NE-025961 and NE-025966

Terra Energy is pleased to announce that on July 9<sup>th</sup> 2015 it has been granted two new exploration licenses by the Mineral Resources Authority of Mongolia (MRAM). The Baruun Termes exploration licenses NE-025961 and NE-025966 are prospective for potash and complement Terra Energy's existing Assets in Mongolia. The licenses are located in close proximity to the Company's current coal exploration license XV-181142 in Uvs province of North West Mongolia. The two licenses, totaling 81.71 km<sup>2</sup>, have 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 licenses are located in the Uvs province of North West Mongolia, approximately 50 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 sealed road, which transects both licenses, provides access from Ulaangom to the Russian border crossing, to the north at Borshoo. Two local towns (Soum) Davst and Sagil are located in close proximity to the licenses.

The two secured exploration licenses will be part of the Company's Uvs Project. The new licenses complement the existing Uvs license, bringing the total project area to three exploration licenses and 193.4 km<sup>2</sup>. The new licenses are approximately 4 km away from the existing Uvs license.



## Infrastructure

The Baruu Termes licenses are located close to a major 220Kw power line, which runs from Russia to Mongolia. The sealed asphalt road between Ulaangom and Borshoo provides easy access to the strategic border crossing of Borshoo and the city of Kyzk in the Tuvan Republic of Russia. Access into Russia leads to railways, which service Vladivostok port.

## Physiography

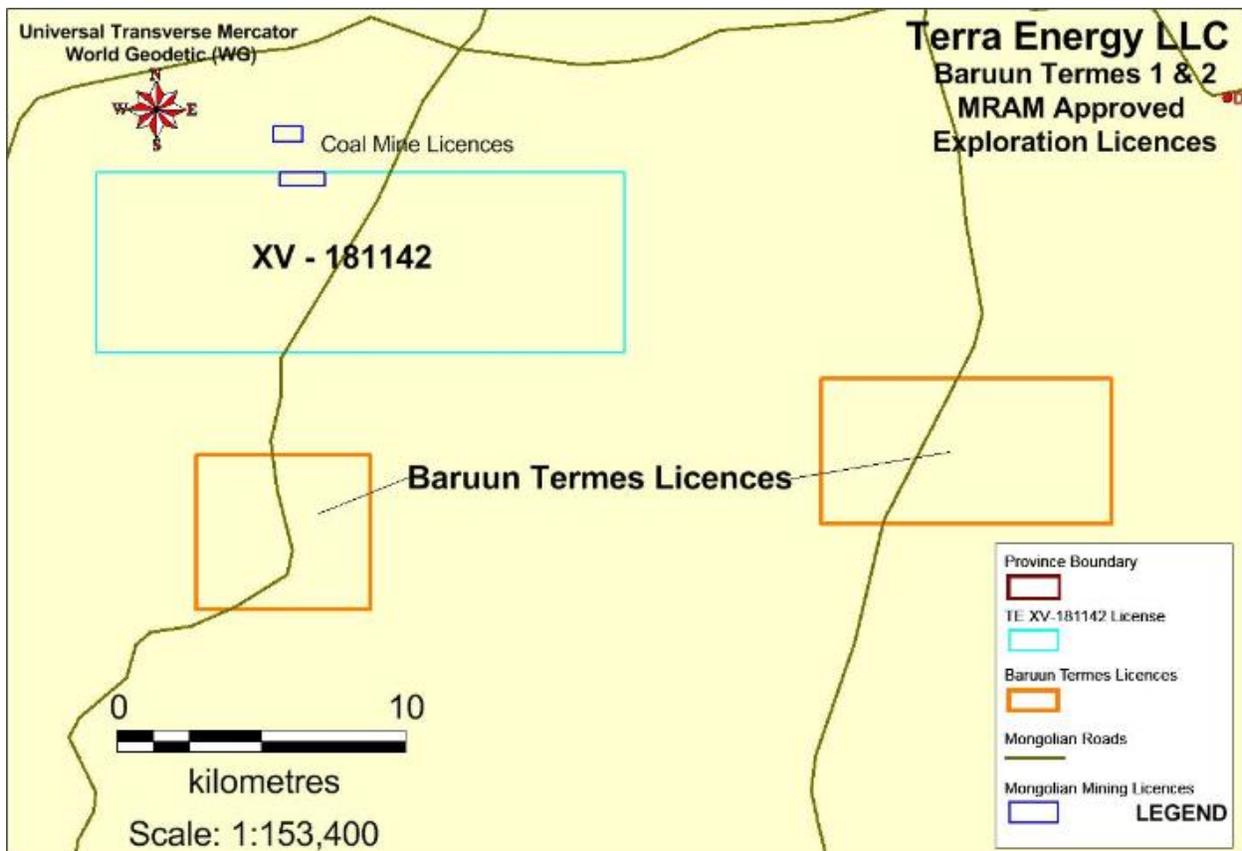
The Uvs Nuur basin is within the physiographic cusp of where Siberia meets Central Asia. The area is prominently associated with the Uvs Lake, which has a length of 84 km and width of 79 km.

Topography of the licenses ranges from shoreline of Uvs Lake, at approximately 760 metres above sea level, to moderately hilly terrain, leading from the shoreline towards the mountains to the north.

## Resource / Geology

The Uvs Nuur basin in North West Mongolia is host geologically to mixed sedimentary and volcanic units. The resource target is stratabound evaporate bearing salts containing potash and lithium brine. The most valuable evaporate mineral is sylvite, which is also known as potash, or potassium chloride. It is used as a fertilizer ingredient and has a number of other industrial uses.

This area is known for a number of evaporite deposits and the location of the active Tuz Tag salt mine, which is located approximately 30 km away from the licenses on the Russian-Mongolian border. Potassium mineral grades of sylvite hosted stringers of up to 65% KCL have been drilled at the mine. The mine is also host to halite minerals (NaCl). The new licenses will target these evaporate sequences outcropping within the licenses for potential shallow resource.



## **Exploration**

MRAM requires exploration license holders to provide an exploration plan within 30 days of license receipt. The Company's strategic plan for the Baruun Termes licences is to promptly develop a potential resource to JORC and MRAM standards.

Terra Energy will commence with the prospective targets of outcropping evaporite. Initial works will include scaled mapping and ground geophysical electrical surveys to assist in definition and confirm targets. Most evaporite minerals are extremely resistive and can be defined from the less resistive sedimentary, and carbonates.

Targets will then be initial non-cored drilled with detailed geophysical down hole surveys to determine structure and potential size. Finalisation of the resource definition will include cored drill holes and full quality assessment for JORC and MRAM resource standards.

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. Terra Energy has recently secured offtake agreements with 2 end-users in China. 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.