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Ramp Up to 1.5Mtpa Annualised Production on track for BNU Mine

Terra Energy (the Company) is pleased to provide an update on the ramp up to commercial coal production levels at its Baruun Noyon Uul (BNU) coking coal mine in Mongolia. The Company is providing operational guidance for its BNU coal operation based on positive progress of mining operations in the BNU Pit 2 area.

Progress to date at BNU Pit 2 has met Q3 2015 production targets and delivered a Q4 2015 forecast in line with the production target of **125,000 tonne per month**. Once reached, operations will be producing at a 1.5Mtpa annualised rate. This ramp up has been delivered with zero lost time injuries and environmental incidents. BNU Operations has now reached 1.34 million man hours without an LTI and remains focused on delivering further ramp up in volumes safely.

The following table outlines the actual production volumes for Quarter 3 - 2015 and forecast volumes for Quarter 4 – 2015:

	Actual			Forecast		
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Coal Mined (tonnes)	28,716	53,663	72,138	91,109	122,776	125,589

BNU Operations has delivered the increased coal volumes at **direct mining costs of US\$1.85 per cubic metre of material in Q3 2015**. This is estimated to place the operation within the bottom end of first quartile mining unit costs compared to global coal producers.

The direct cash cost positive margin on the hard coking coal product is forecast to be between **US\$9/t and US\$11/t** for the last quarter of 2015. Strong operational

performance has maintained forecast margins despite continued weakness in coking coal markets.

While the market continues to remain soft there are some positive signs and there is still strong buyer interest for the BNU coking coal and the company remains committed to developing its Mongolian business in the most capital and cost efficient methods.

The following sequence of photos shows the development of the BNU Pit 2 and the export of hard coking coal product to end users in China.

Terra Energy 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.





