



18th October 2016

ASX Announcement

Binding 5.5 year HCC Offtake Agreement for BNU in Mongolia

TerraCom Limited (TerraCom or the Company) (ASX: TER) through its wholly owned subsidiary Terra Energy LLC (Terra) is pleased to announce that it has executed a binding term sheet with a wholly owned subsidiary of the Kingho Group, one of the largest private coal companies in China, for a 5.5 year offtake of hard coking coal (HCC) produced from the BNU Coal Mine in the South Gobi in Mongolia.

The agreement is for a total of 7.5 million tonnes over the term and has pricing linked to a commercially in confidence minegate pricing structure, reflecting the recently improved coking coal prices observed in the market. A definitive sale agreement will be developed in the coming weeks to reflect the binding commercial terms in the term sheet. Payment terms are USD in the form of 100% Irrevocable Letter of Credit issued by first class international bank.

TerraCom Chairman Mr Cameron McRae stated that, "this is a significant milestone for the TerraCom Mongolian Business Unit on a number of fronts and is reflective of the broader strong upward price trend for HCC including:

- 1. Confirmation of the strong BNU coal brand in China and recognition of the value-in-use of this coal when compared to other HCC available in southern Mongolia and northern China*
- 2. The point of sale for the coal will be at minegate which removes Terra from the requirement to be involved in management of the supply chain in Mongolia and northern China. This allows Terra to focus on its core competency of mining whilst its partner King*

ho which is one of the largest transporter and users of coal in northern China focuses on delivery to customers

- 3. The commercial terms of this binding agreement essentially underwrites a profitable Mongolian business unit delivering the cash margins as previously advised to the market and establishes a platform from which further expansion and growth can occur.”*

Mr McRae went on to say that, “*this combined with the significant positive progress made with the acquisition of the Blair Athol Coal mine positions TerraCom well to capitalise on the strong coal coking and thermal coal markets through production from BNU HCC mine and BA thermal coal mine by the end of 2016.*”

ABOUT KINGHO

Inner Mongolia Kingho Group is a wholly subsidiary of China Kingho Group, which was formed in 1996 and is one of largest privately held mining and energy companies in China. Over recent years, China Kingho Group has developed significant expertise in resources development, coal washing, coal chemical, fine chemicals, clean energy, coal gasification and logistic.

Since founded in 2000, Inner Mongolia Kingho Group has imported more than 26 million tonnes of raw coal from Mongolia and has the capacity to wash 8 mtpa of coal, produce 4mtpa of coke, produce 400 ,000 tpa of methanol from coke oven off-gas and produce 200 million coal ash bricks. The parent company, China Kingho Group produces 15 mtpa of coal, processes 12 mtpa of coal and produces 9 mtpa of coke.

ABOUT TERRACOM –www.terraconomresources.com

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 in Queensland, Australia from the Blair Athol Joint Venture, with production scheduled to recommence in 2016.

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.

Cameron McRae
Executive Chairman