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ASX Announcement

Company Update

TerraCom Limited (**TerraCom or the Company**) (**ASX: TER**) wishes to advise that despite the ongoing challenging global conditions for the resource sector, the Company remains focused on delivering the 2015 strategic review, both on a corporate level and on an operational level in Mongolia and Queensland, including now the potential expansion in to Indonesia.

The following announcement is an update of activities within the Company in relation to:

- New Mongolian Licence Granted in South Gobi
- BNU Operational and Market Update
- Business Development

New Mongolian Licence in the South Gobi

South Gobi XV-018513 Exploration License

The Mongolian subsidiary Terra Energy LLC (Terra Energy) has been granted a new exploration licence by the Minerals Resource Authority of Mongolia (MRAM). The licence was successfully acquired through a low cost bidding process with MRAM and local community engagement. Terra Energy now holds 15 mineral licences in Mongolia across three project areas in the South Gobi, Middle Gobi and Uvs Provinces.

The South Gobi exploration license XV- 018513 complements Terra Energy's current coking coal assets in Mongolia. The license located in the South Gobi coal basin is in close proximity to existing Terra Energy mining and exploration assets and 81.5 km east of the Terra Energy LLC Baruun Noyon UUL coking coal mine. The 18 km² 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.

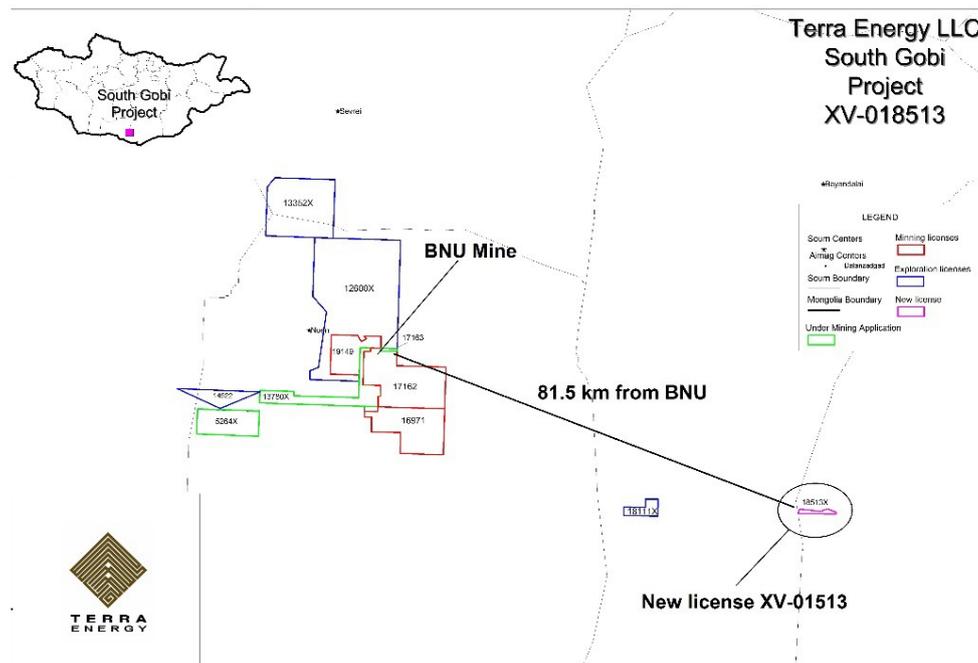
Location

The South Gobi licence XV-018513 is located in the Khurmen sub province in the south western corner of the Umnugovi Aimag in southern Mongolia, approximately 110 km south

west of the Provincial capital of Dalanzadgad. The Provincial centre is accessible by sealed road and a regular aircraft service from the Mongolian capital Ulaanbaatar.

The exploration licence is accessible by unsealed roads, providing access to the Baruun Noyon UUL (BNU) mine infrastructure. The licence is 170 km from the Chinese border crossing of Shivee Huren/ Ceke in the People's Republic of China, which is the main distribution centre for BNU coal.

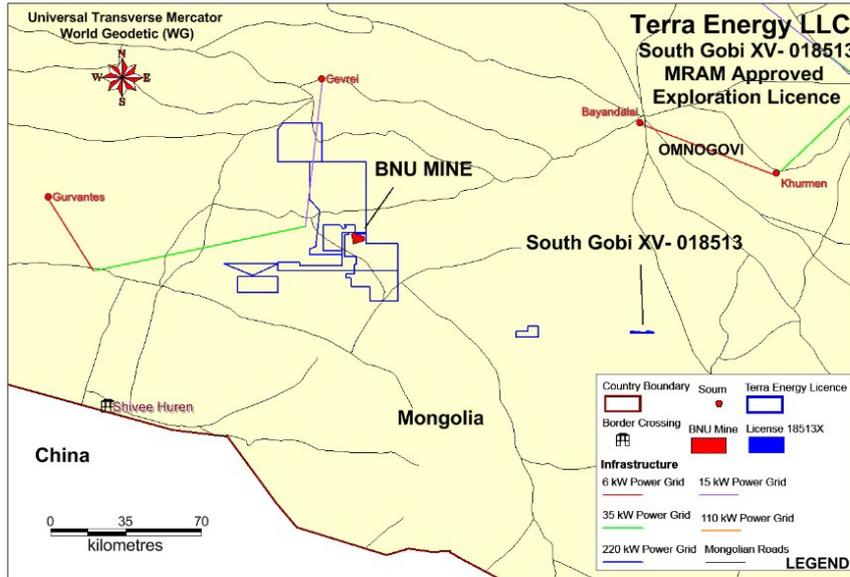
The exploration licence will be part of the extensive Terra Energy South Gobi Project. The South Gobi Project comprises of 10 licences, being 3 mining licences, 4 exploration licences and 3 in application for mining licences (pre-mining).



Infrastructure

The licence is strategically located approximately 81.5 km east of the Terra Energy Baruun Noyon mine and 170 km east of Nariin Sukhait which includes South Gobi Resources' (SGS) Ovoot Tolgoi mine and the MAK mine. The licence will share the current BNU and South Gobi Project infrastructure including the BNU to Nariin Sukhait haul road.

A rail line currently used by Terra Energy is to the south west of the licence and has been constructed from the border crossing of Shivee Khuren / Ceke to Chinese industrial centres.



Physiography

The Umnogovi Aimag is within the physiographic region of the Gobi Desert. The topography of the deposit varies from flat, gravel-covered plains to moderately hilly terrain. Surface elevation ranges from approximately 1,300 to 1,400 metres above sea level in the vicinity of the licence.

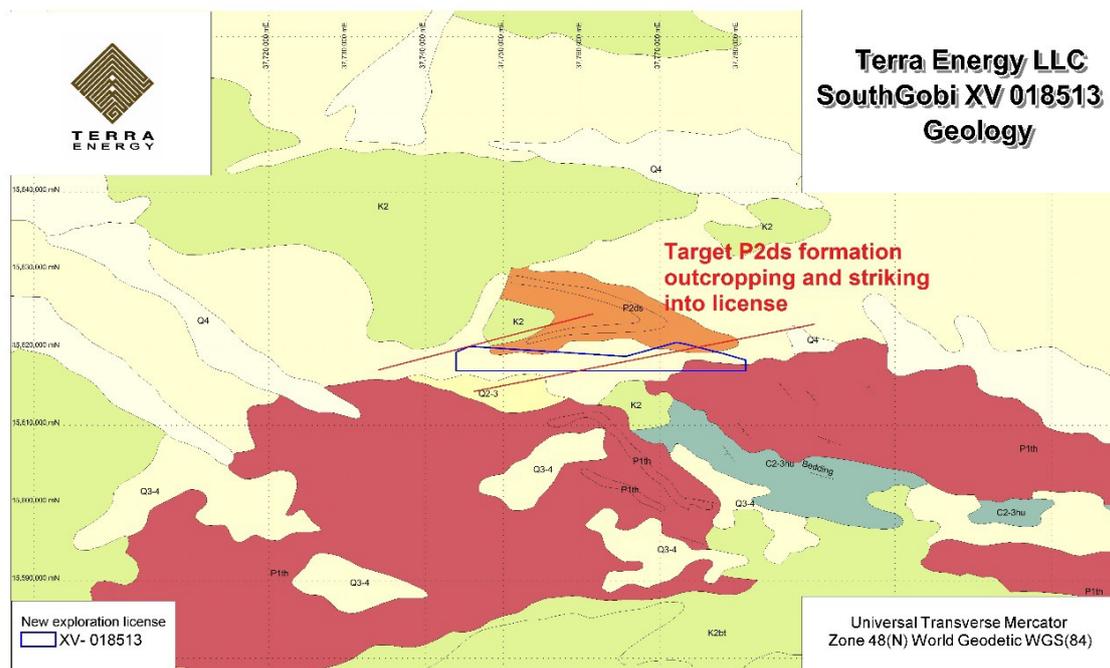
Vegetation is sparse, consisting primarily of small shrubs and grasses. The area currently supports a traditional subsistence economy focused on raising sheep, goats and camels.

Resource / Geology

The geology of the area comprises an exhumed volcanic arc system that was active during the Carboniferous period. In the Permian period thermal subsidence and thin skin tectonics developed an extensive South Gobi Basin into a series of micro-basins. The licence lies in one of these thermal subsidence regions where extensive coal deposits developed. This basin development continued until the Early Jurassic period.

The target coal resource is within the Dellin Shand suite and the licence has a target formation outcropping and striking into the licence. The Dellin Shand suite is described as claystones, siltstones, sandstones, conglomerates and coal.

A coal resource is located 75km to the North West of the licence, the South Gobi Resources Ltd - Zag Suuj deposit. On March 25, 2013 an independent report by Minarco Mineconsult estimated a NI 43-101 compliant 21.5 million tonnes of indicated coal resource and 84 million tonnes of inferred resource. The coal rank ranges between low to medium volatile bituminous coal and it is anticipated the coal will wash to produce a coking coal product.



Exploration

The exploration licence holders are required by law to provide an exploration plan within 30 days of receipt of the licence to MRAM. MRAM allow for medium term minimum maintenance costs of newly acquired licences, allowing for low cost exploration strategies to determine resource potential such as geological mapping, sampling and broad scale geophysics techniques.

The strategy for the South Gobi licence is to quickly determine the resource potential and then to develop a potential resource to JORC and MRAM standards. Initial works will include low cost scaled mapping and ground geophysical survey to define and confirm priority targets along strike. This will then be 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 staged exploration strategy gives an overall cost reduction, targeting cored exploration holes where the resource is located, thereby saving high cost prospective drilling.

Operational and Marketing Update

The BNU hard coking coal mine operating in the South Gobi region continues with the ongoing implementation of the Life of Mine Plan (LOMP). The operation is continuing to deliver a superior metallurgical coal product to end users in China.

The operation introduced the BNU product to market at the commencement of 2015. While achieving strong sales prices, the assumption from the Company was a consolidation upon the mid-year sales price on a month to month basis taking into account the strong value in use and the steady increases in coal volumes as per the production forecast.

The end user coal sale prices have continued to soften over the last quarter in direct relation to the volume constraints and conditions that exist in the Chinese steel market. The Chinese seaboard metallurgical coal sales prices has softened considerably as demonstrated with the relative example of the Platts HCC mid-vol price falling from approximately US\$110/metric tonne

(mt) CFR China in January 2015 to US\$93/mt in July and US\$79/mt presently. This represents approximately a 30% fall over the 2015 calendar year.

The continued downward pressure on the internal market has also seen end-user approximate sales prices drop from CNY¥570/mt in January 2015 to CNY¥548/mt in July and CNY¥530/mt for November sales, on a Free on Transport basis at Ceke in China. This is approximately a 7% reduction, and is a considerably smaller price fall compared to the effect on the seaborne market. The operation has continued to drive down the operational cost per BCM and is continuing to deliver industry leading productivities and BCM unit cost profile.

2015	July		August		September		October		November	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
BCM Waste	745,407	795,708	799,045	945,237	694,785	786,265	796,300	850,200	772,425	765,410
ROM Coal	41,550	28,716	44,034	53,663	73,721	72,138	91,109	63,596	122,776	48,731

BNU Coal Production July to November 2015, Actual versus Forecast

The principle variance to coal extraction as the volumes increased month on month in line with the planned extraction, has been the variability in the third party CHPP washing yield, the variability in the 'in pit' coal reconciliation and the closure of the third party logistics line.

October's initial variance with respect to reconciliation has cascaded into November and is currently the subject of a detailed technical review.

November ROM coal production was also severely impacted with JISCO unexpectedly closing the rail head. As the clean coal stocks at the CHPP were full and ready for shipment, a decision to cease coal production at the operation to reduce spend was made. Upon re-opening of the rail head the operation has recommenced coal production. This delay is not envisaged to occur again in the immediate future.

Corresponding with the variance in coal reconciliation has been a variance in actual yield of Pit 2 product, achieved through the third party CHPP facility at Ceke. Substantial improvements over the past month have been achieved on the coal recovery and management has enacted a detailed review and action plan. The variance over the preceding period has decreased the quantum of saleable product.

With the assistance of Noble, the BNU marketing agent, the Company has been able to secure a settlement moving forward on an increase in product ash to the end user from 9.5% to 10.5%. This has principally offset the encountered price pressure this month and enabled an increase in coal recovery of approximately 6%. This is also coupled with a forecast increase in the contracted sales price month on month of the PCI / thermal product when compared to the previously achieved initial introductory price.

Mine planning and exploration has continued to develop the Life of Mine Plan.

Business Development

As per the strategic direction of the Company, a number of cash producing operating assets have been identified as potential additions to the Company's portfolio to support the BNU mine in Mongolia.

Australia

A strategic opportunity has arisen for the Company, through a third party, to assume their negotiated position to acquire a mature mining operation. The operation of the mine is currently

suspended and the facilities on care and maintenance.

The project has all necessary regulatory approvals to recommence operations. A Non-Disclosure Agreement has been signed and comprehensive due diligence process is underway. The transaction is being assessed on its capacity to deliver immediate positive cash flows to the company.

Indonesia

An exciting, operating metallurgical coal project on the island of Kalimantan in Indonesia is under detailed investigation by the Company for potential acquisition.

The Project enables growth and cash flow coupled with a substantial upside opportunity. The production licence for the project has a remaining life of 12 years.

The Project currently has defined JORC Resource of 3.9Mt and an estimated economically mineable coal of 2.19Mt of medium volatile high fluidity coking coal with high CSNs of 9 and average calorific values of 7,600 kcal/kg (adb) across two pits. The mine has the capability to produce 500,000 tonnes per annum giving a minimum 4 year mine life based on current drilling conducted on only a small area (5%) of the tenement.

The mine is strategically located in close proximity to road, barge and port infrastructure.

Negotiations on a non-binding term sheet are at an advanced stage and the desk top due diligence process is nearing completion. The transaction is being assessed and contemplated on its capacity to deliver immediate positive cash flows to the Company.

Mongolia

Terra Energy Management has an extremely strong operational and project delivery reputation within Mongolia. The team is currently in an active discussion with an existing mine site owner / operator, with an objective of Terra Energy taking over the operation as the 'mine operator'.

If successful, this activity could supply the Company with supplemental positive cash flow from the Mongolian Business Unit.

ABOUT TERRACOM LIMITED: www.terraacomresources.com

TerraCom Limited 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 Coal 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.

Please contact Tony Mooney, +61 423 841 259 for further information.



Michael Avery
Group Managing Director

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