



**TERRACOM**

# QUARTERLY REPORT

FOR THE QUARTER ENDED 31 MARCH 2016

TerraCom Limited (“TerraCom” or the “Company”) (ASX: TER) is pleased to present its quarterly activities report for the period ended 31 March 2016.

## HIGHLIGHTS

- **2015 Strategic Review implementation progressing across operational and corporate levels as summarised as follows:**
- **Balance Sheet Restructure**
  - Existing Note Holders Debt Rolled for 5 Years at a face value of approximately US\$76 million.
  - Secured a new loan of USD\$5 million from its existing note holders.
  - Existing working capital facility of US\$41 million has been extended to 23 December 2016 and discussions underway to roll this into the 5 Year facility.
  - US\$13.2 million interest and deferral fees irrevocably waived.
  - US\$5 million CN converted from debt to equity.
  - US\$1.1 million outstanding interest paid by additional equity in TerraCom.
- **Mongolia**
  - The Baruun Noyon Uul (BNU) coking coal mine in Mongolia continued its very impressive safety record of No Lost Time Injury (LTI) since inception. The project has now recorded 1.6 million man hours without an LTI.
  - During February & March TerraCom’s Mongolian subsidiary Terra Energy LLC has progressed rapidly on the installation of an alternative supply chain with a number

of key milestones already achieved. First coal is forecast to be washed in early April 2016.

- In the first quarter of 2016, TerraCom's Mongolian subsidiary Terra Energy LLC (Terra Energy) has been granted four new exploration licenses by the Minerals Resource Authority of Mongolia (MRAM).
- **Business Development**
  - Positive progress made on potential acquisition of cashflow positive assets in Central Queensland and Indonesia to supplement cashflow and de-risk TerraCom from single mine company

## CORPORATE STRATEGY AND OPERATING ENVIRONMENT

As a consequence of the continuing weak global market conditions during the Quarter, volatility in the resource market has become the norm. This is presenting significant economic and funding challenges for TerraCom.

In the face of these challenges, the Company has remained focused on delivering both the corporate and operational recommendations of the strategic review of the Company which was completed in early 2015.

### RESTRUCTURE OF BALANCE SHEET

TerraCom, along with its advisors and principal financiers have worked tirelessly to restructure the Company's existing financing facilities; generate new finance opportunities; and generate additional share equity with investors. The Company has made a number of ASX announcements during the quarter which resulted in the completion of the Restructure of the Balance Sheet during Q1 2016. Binding term sheets have been executed, and long form documentation will be finalised during the coming quarter.

### EXISTING NOTE HOLDERS DEBT ROLLED FOR 5 YEARS

Further to the binding term sheet executed on 23 December 2015, the Company is in the process of issuing secured unlisted bonds (the Bonds) with OCP with a face value of approximately US\$76 million. The term of the Bonds is 5 years with no principal repayments throughout this period (a bullet repayment at the end of the term). Interest of 12.5% p.a. is payable on a semi-annual basis, of which the Company has the option to capitalize up to 50%. Bondholders are also entitled to a royalty payment of between 0.75% and 1.75% of adjusted mine gate revenue. The Bonds are to be repaid at face value upon maturity.

This transaction will result in the reclassification of US\$ 63.4 million (AU\$ equivalent at 31 December 2015 was \$86.8 million) from current liability to non-current liability.

### **NEW LOAN SECURED**

Secured a new loan of USD\$5 million from its existing note holders, which will replace the previously envisaged AUD\$7 million equity placement to SPG Investment Holdings Ltd (SPG). This not only provides the Company with important additional working capital, but also avoids the shareholder dilution that would have occurred had the placement to SPG gone ahead (583.3 million shares were to be issued to SPG representing circa 25% of the shares currently on issue).

The additional loan has been made available immediately on a short-term basis and will ultimately form part of the Bond described above.

### **EXISTING WORKING CAPITAL FACILITY REPAYMENT EXTENDED TO DECEMBER 2016**

The working capital facility of US\$ 41 million has been extended to 23 December 2016 in line with ongoing coal sales and supply chain program; this includes interest and principal payments deferred to this repayment date. The Company is in discussions to also roll this debt into the 5 year Bond facility and is working in parallel on other re-financing options and/ or a new working capital facility to further recalibrate this debt and match the broader plans of the Company.

### **US\$ 13.2 MILLION INTEREST AND DEFERRAL FEES IRREVOCABLY WAIVED**

The Company has agreed to enter into a letter agreement with the trustee of the Amortising Notes and Convertible Notes whereby all interest and fees accrued but not yet due and payable or any unpaid interest and fees accrued on these instruments will be irrevocably waived. This transaction will significantly reduce current liability by US\$ 13.2 million (equivalent at 31 December 2015 was AU\$ 18.1 million).

### **US\$5 MILLION CONVERTED FROM DEBT TO EQUITY**

On 29 January 2016 50% of the convertible note holders elected to convert their debt to ordinary shares. The ordinary shares were issued at a conversion price of \$0.0069 per share, and were issued to Rastas Limited, Acecrest Investments Limited and Island Sands Corporation. The convertible notes had a face value of US\$5 million. Upon conversion 1,023,066,046 new ordinary shares were issued, reducing the Company's debt by a corresponding amount.

This transaction resulted in the reclassification of US\$5.0 million (equivalent at 31 December 2015 was AU\$ 6.8 million) from current liability to equity.

### **US\$1.1 MILLION OUTSTANDING INTEREST PAID BY ADDITIONAL EQUITY IN TERRACOM**

On 29 January 2016 the Company issued ordinary shares in satisfaction of US\$1.1 million of unpaid interest and deferral fees in respect of the convertible notes owing to OL Master (Singapore) Limited. 221,489,379 ordinary shares were issued at a conversion price of \$0.0065 per share.

## ISSUE OF NEW DETACHABLE WARRANTS

At the Company's EGM held in October 2015 shareholders approved the issue of new detachable warrants (126,308,306 detachable warrants) to the holders of the Amortising Notes and Convertible Notes, as well as the cancellation of the previously issued detachable warrants (66,762,962 detachable warrants). During the quarter the long form documentation was finalised and lodged resulting in the issuing of the new, and cancellation of the old, detachable warrants.

The new detachable warrants expire 5 years from the earlier of 31 October 2015 or the date of additional capital raising, with a conversion price based on the trading price of the Company's shares for the first month of issuance.

## EXTRAORDINARY GENERAL MEETING (EGM)

On 12 January 2016 the Company held an EGM whereby shareholders approved the private placement of shares to SPG Investment Holdings Ltd (SPG) and share issue to Morning Crest Capital Ltd (Morning) pursuant to the conversion of convertible notes.

Notwithstanding this, the Company was unable to satisfy the CP's prior to the conditions end date and accordingly SPG exercised its rights under the agreement to terminate the agreement and withdraw from the private placement. As a result of the SPG placement not going ahead Morning did not complete their acquisition of US\$5 million of the convertible notes facility.

## CHANGE IN COMPANY SECRETARY

During the quarter Nathan Boom replaced Tony Mooney as Company Secretary. Nathan started with the Company in July 2015 as Financial Controller and will also continue in this role.

## POTENTIAL ASIAN STOCK EXCHANGE LISTING

TerraCom also continues to investigate the merits and mechanisms for a potential listing on an Asian stock exchange, a crucial recommendation of the strategic review. A regional hub in Singapore is providing logistics and marketing support to the Company.

## OPERATIONS - MONGOLIA BNU

Terra Energy has established a world class high quality coking coal mine (BNU) in the South Gobi throughout 2015 & 2016.

The mine delivered staged volume increases to attain the production target of 125,000 tonne per month (1.5Mtpa annualised) in the last quarter of 2015. These volume increases placed stress on the third party trucking and washing capabilities, leading to a review of the capacity and suitability of the existing supply

chain from mine to market. This review provided recommendations to develop and implement an alternative supply chain to provide additional capacity for haulage and processing of coal to ensure end user consistent and timely delivery of hard coking coal to Chinese end users.

These actions are being implemented to optimise the 'pit to end user' supply chain with a number of significant milestones achieved. In addition to the existing supply chain providers, agreement has been reached with new haulage contractors, import agents and coal processing facilities to enable a forecast first coal delivery within April from the new supply chain.

## **SAFETY**

Our operations continued to deliver strong health and safety performance with the BNU Coal Project continuing its very impressive safety record of No Lost Time Injury (LTI) since inception. The project has now recorded 1.6 million man hours without an LTI.

## **OPERATIONS UPDATE**

During February 2016 a slowdown of site operations for the Tsaagan Sar traditional holiday period without incident. Operations ceased on 4th February and all employees and contractors, outside of a minimal site maintenance and coal export crew, were demobilized safely from BNU. The slowdown continued during March while an alternative supply chain was established. The current on site crew have maintained the operation ready for recommencement of mining and have delivered 32,348 tonnes of raw coal from BNU to the Ceke Border using the new haulage contractor.

The focus at BNU during this slowdown period has been to remove fixed costs out of the business and reduce the mine site stockpile to target levels.

The continued downward pressure on the internal Chinese hard coking coal market has also seen end-user sales prices drop from CNY¥530 per mt for November sales to CNY¥495 per mt for 2016 sales, on a Free on Transport basis at Ceke in China. Although, due to the high quality of BNU Coking Coal, the Terra Energy team has been able to fully mitigate this price drop with an agreed coal specification adjustment with our final end user.

The highly disciplined and structured mine planning and coal quality control process has ensured the demand for BNU Coal remains strong, evidenced by the considerably smaller price fall when compared to the seaborne market.

## PRODUCTION

During the quarter, the BNU operation was slowed down to allow the establishment of a new alternative supply chain.

	Q3 2015/2016	Q2 2015/2016	YTD 2015/16
Rom coal production (tonnes)	35,259	179,140	368,773
Overburden removed (BCM)	86,329	1,938,177	4,551,716
Coal trucked to China (tonnes)	32,348	164,839	261,805
Coal washed (tonnes)	19,851	79,142	173,690
Overall gross product yield	91%	91%	87%
Prime HCC delivered to Customers (tonnes)	17,309	38,564	113,134
Other Coal delivered to customers (tonnes)	-	58,451	62,666
EOM ROM Stocks (tonnes)	96,326	97,300	96,326

**TABLE 1 – QUARTERLY BNU COAL PROJECT PRODUCTION STATISTICS COMPARED TO PREVIOUS QUARTER**



**FIGURE 1- BNU OPEN PIT MARCH 2016**



**FIGURE 2- BNU STOCKS MARCH 2016**

### **BNU ALTERNATIVE SUPPLY CHAIN**

With the increasing mining volumes in late 2015 it became rapidly evident that the existing supply chain (both trucking and coal processing) was not able to support the rapid increase in tonnes extracted at the BNU Mine. A decision was made in line with the Tsaagan Sar / Chinese New Year border closures to slow down the mining and to establish an entirely new supply chain to reduce mine site stockpile volumes which had reached historically high levels

The new supply chain focused primarily on a change in washing provider in Ceke. The new XingChen CPP is a Jig/TBS/Flotation wash plant with 3.0Mtpa capacity across two modules. The new plant is forecast to improve yield results on BNU Coal once operational due to the processing configuration and its focus on adequate management of the finer size fraction of coal

The implementation of the new supply chain has progressed rapidly during February and March with a number of key milestones already achieved. First coal is forecast to be washed in the first week of April 2016.

- Wash plant feasibility and selection (mid-February)
- Execution of a new long-haul contract (Deejiin Urguu) from BNU to Ceke (late-February)
- Executed new sales offtake agreement (mid-March)
- Execution of a second long haul contract (TTS) from BNU to Ceke (mid-March)
- Establishment of a new China import agent (mid-March)
- Execution of a new wash plant contract (late March)
- Execution of a new short haul contract from Ceke to Wash plant (late March)
- Plant optimisation and commissioning (late-March)

- First coal washed (early-April)

32,348 tonnes have already been trucked under the new alternative supply chain and are ready to be processed once the wash plant has been commissioned.



**FIGURE 3- NEW ALTERNATIVE SUPPLY CHAIN TRUCKS READY TO BE LOADED**



**FIGURE 4- NEW ALTERNATIVE SUPPLY CHAIN TRUCKS LOADING AT BNU**



**FIGURE 5- NEW ALTERNATIVE SUPPLY CHAIN TRUCK LEAVING BNU**

#### **BNU EXPLORATION UPDATE**

The Terra Energy team completed a major exploration strategy review in March 2016 identifying and ranking a number of highly prospective targets for the 2016 Exploration Program to enable further expansion of the production profile to match demand and capacity in the supply chain. This exploration is planned to commence in the second quarter of 2016 calendar year.

## **BUSINESS DEVELOPMENT – MONGOLIA**

#### **MINING LICENSES**

South Gobi Mining Licenses applications XV005264, XV13780 and XV17163 all remain in the last stages of approval with MRAM (Minerals Resource Authority of Mongolia). The company has continued to communicate with the Mongolian Government Ministries providing all necessary responses to their queries through the first quarter of 2016. The issue of these mining licenses is now imminent.

In the first quarter of 2016, TerraCom's Mongolian subsidiary Terra Energy LLC (Terra Energy) has been granted four new exploration licenses by the Minerals Resource Authority of Mongolia (MRAM). The licenses were successfully acquired through a low cost bidding process with MRAM and local community

engagement. Terra Energy now holds nineteen mineral licenses in Mongolia across four project areas in the South Gobi, East Gobi, Middle Gobi and Uvs Provinces:

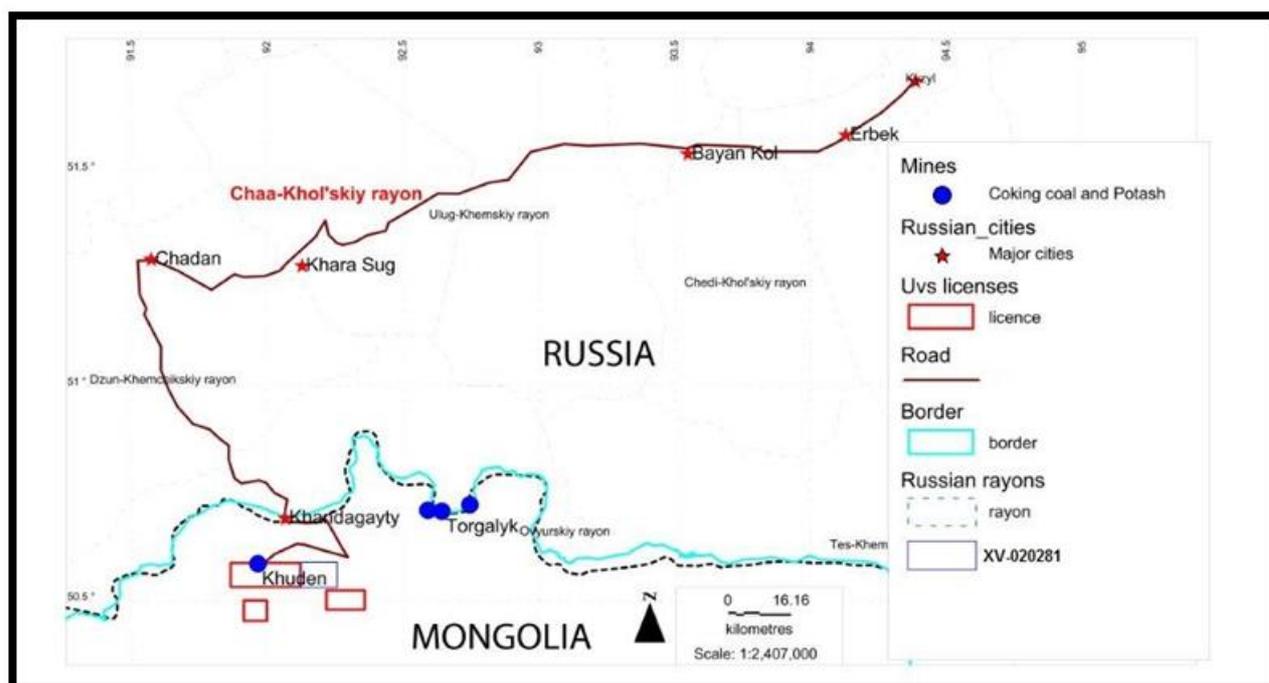
1. Uvs – Baruun Termes 3 – XV-20281
2. East Gobi – Khongor XV-020281
3. East Gobi – Nariin XV-020329
4. South Gobi -Budunui Kyar XV- 020268

## UVS PROJECT

### *Baruun Termes 3 Exploration License XV-020281*

The Baruun Termes exploration license complements Terra Energy's current assets in Uvs Province Mongolia. The license is located adjacent to Terra Energy's current exploration licenses in North West Mongolia. The license totaling 60.6 km<sup>2</sup> 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.

The Baruun Termes 3 license is located in the UVS province of North West Mongolia, approximately 50 km north of the Provincial center Ulaangom. The exploration license will be part of the Terra Energy Uvs Project. The new license complements the current three Uvs licenses bringing the project area to four exploration licenses. The new license is adjacent to existing Uvs license.



**FIGURE 6 – LOCATION MAP OF THE UVS LICENCES**

The Exploration strategy for the Baruun Termes licences is to promptly develop a potential resource to JORC and MRAM standards. TerraCom will commence with the prospective targets of outcropping evaporite. Initial works will include scaled mapping and ground geophysical electrical survey, to assist in definition and confirm targets.

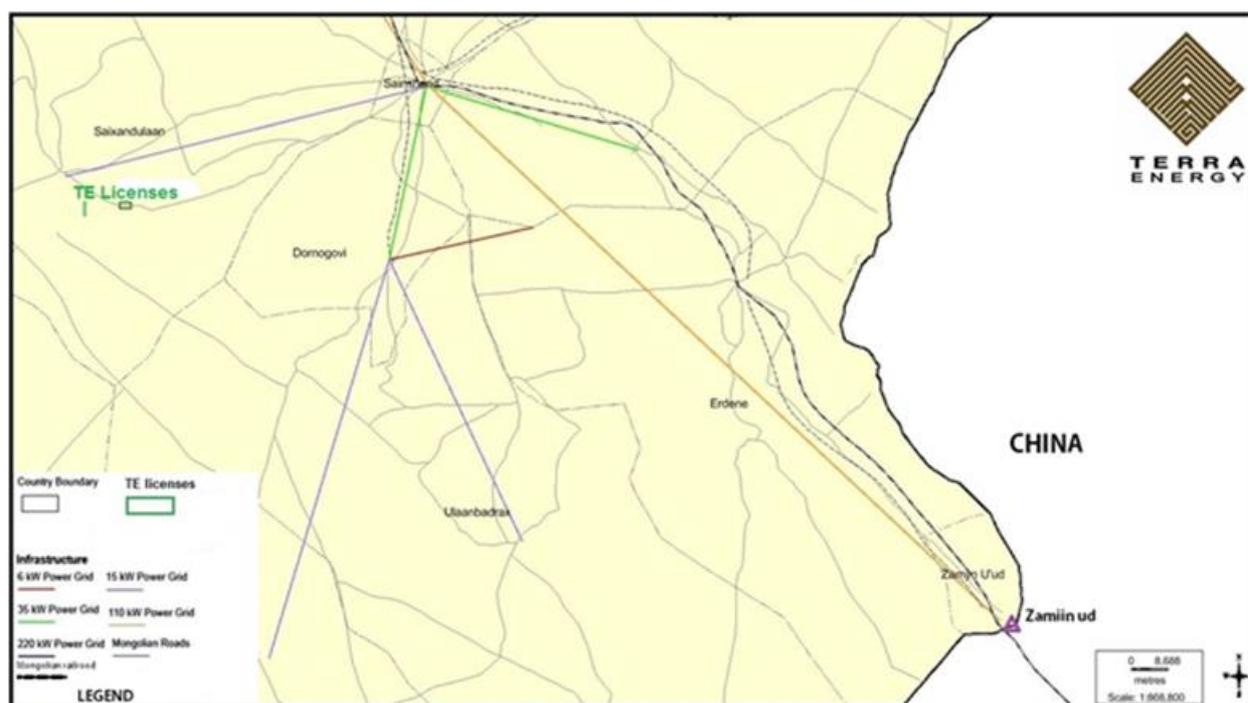
## EAST GOBI PROJECT

*East Gobi – KHONGOR XV-020139, NARIIN XV-020329*

The Nariin and Khongor exploration licenses add a new project area to Terra Energy's assets in Mongolia. The licenses totaling 2.029 km<sup>2</sup> and 3.854 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.

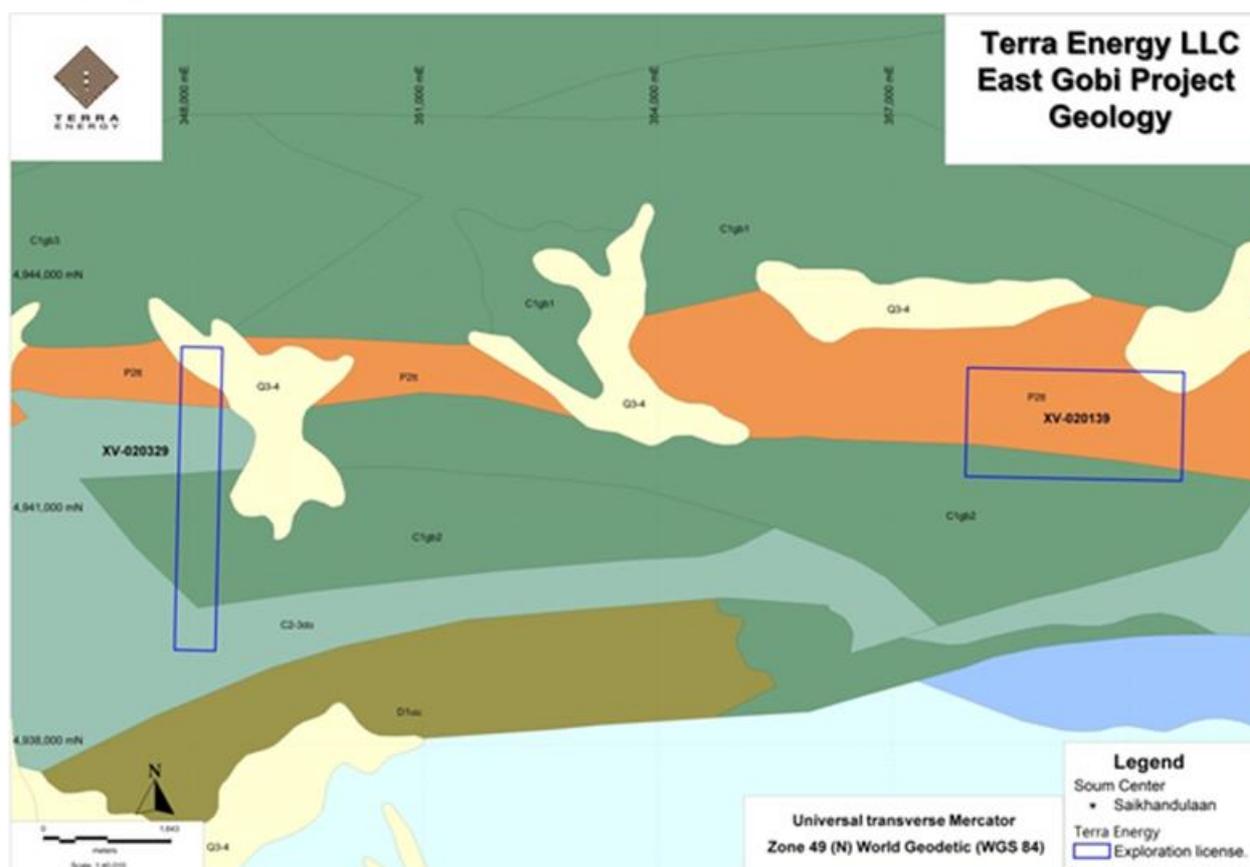
The Nariin and Khongor licenses are located in the East Gobi province of South East Mongolia, approximately 85 km north of the Provincial center Sainshand. The Provincial center is accessible by road and a regular railroad service from the Mongolian capital Ulaanbaatar. The sealed road provides access from Sainshand to the Chinese border crossing through the Zamiin-Uud. Two local towns (Soum) Saikhandulaan is located in close proximity 10km to the license.

The exploration license will be part of the Terra Energy East Gobi Project.



**FIGURE 7 – LOCATION MAP OF THE LICENCES AND KEY INFRASTRUCTURE**

The Nariin and Khongor licenses are located close to a major 15Kw power line, which runs from Saikhandulaan sub province to Sainshand. The sealed asphalt road and railway between Sainshand and Zamiin-Uud provides easy access to the strategic border crossing of Zamiin-Uud and the town of Erlian in China. The target coal resource is within the Permian Tavan Tolgoi suite coal bearing strata.



**FIGURE 8 – GEOLOGY OF EAST GOBI PROJECT AND SURROUNDING AREAS**

## SOUTH GOBI PROJECT

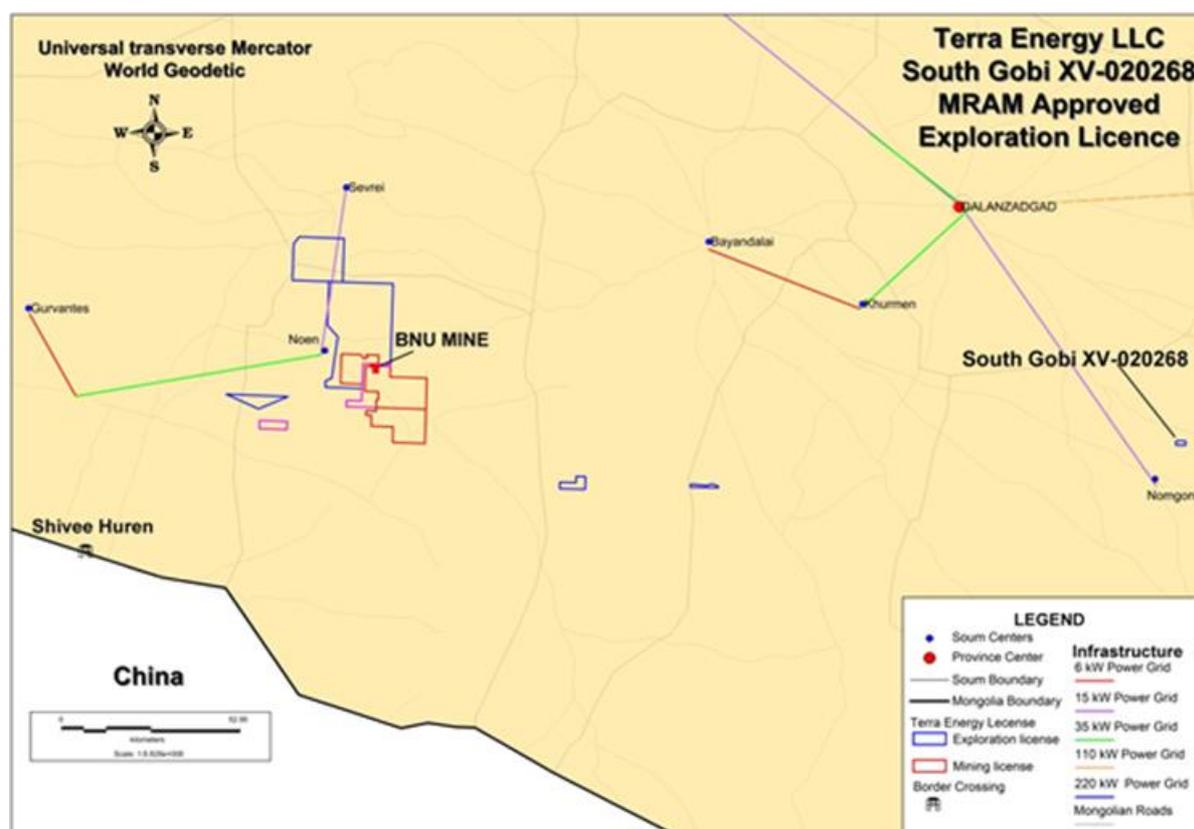
### *South Gobi – Buduunii Khyar XV-020268*

The South Gobi exploration license XV- 020268 compliments Terra Energy's current coking coal assets in Mongolia. The license located in the South Gobi coal basin is in proximity to existing Terra Energy Mining and Exploration Assets and 221.7 km east of the Terra Energy LLC Baruun Noyon UUL coking coal mine.

The South Gobi licence XV-020268 is located in the Nomgon sub province in the south western corner of the Umnugovi Aimag in southern Mongolia, approximately 95 km south east of the Provincial capital of Dalanzadgad.

The exploration license will be part of the extensive Terra Energy South Gobi Project. The South Gobi Project comprises of twelve licenses, three mining licenses, six exploration and three in application for mining licenses (pre-mining).

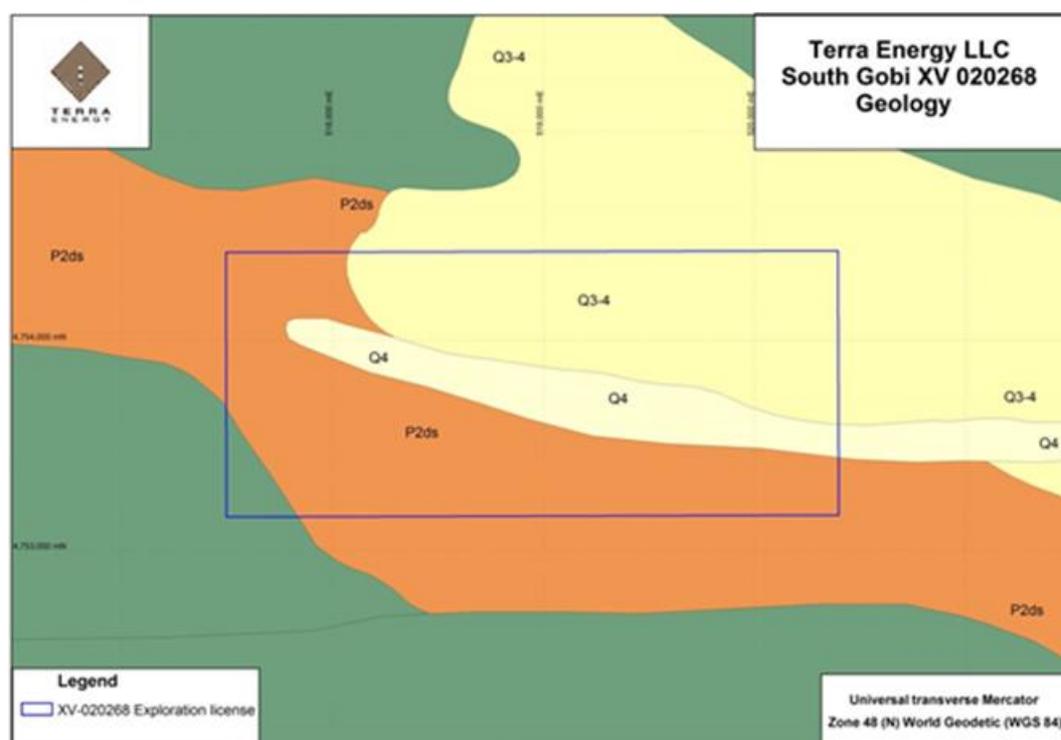
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**FIGURE 9 – LOCATION MAP OF THE LICENCES AND KEY INFRASTRUCTURE**

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 in a series of micro-basins. The license 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, which is estimated to be over 1000km thick in the basin. The license has outcropping target formation outcropping and striking into the license. The Dellin Shand suite is described as clay stones, siltstones, sandstones, conglomerates and coal.



**FIGURE 10 – GEOLOGY OF SOUTH GOBI PROJECT AND SURROUNDING AREAS**

The exploration strategy for the Nariin; Khongor and Buduunii Khyar license is to promptly develop a potential resource to JORC and MRAM standards. TerraCom will commence with the prospective targets of outcropping coking coal bearing Permian Deliin shand formation. Initial works will include scaled mapping and ground geophysical survey, to assist in definition and confirm targets. Targets will then be initial non-cored drilled with detailed geophysical down hole surveys to determine structure and potential size. Finalization of the resource definition will include cored drill holes and full quality assessment for JORC and MRAM resource standards.

### COAL BED METHANE

A CBM license exploration contract application in the South Gobi is under negotiation with PAM (Petroleum Authority of Mongolia). Further development is expected in Q3 CY2016.

## OPERATIONS – QUEENSLAND

The North Galilee and Springsure Project remains the focus and there have been discussions with potential joint venture or offtake partners to self-fund these projects through the development phase into operating mines. TerraCom is considering the purchase of an EPC that adjoins the Springsure Mining Project MDL and EPC to expand the project footprint.

A continuing focus on cost conservation on projects as a result of the 2015 strategic review has restricted exploration for the reporting period. The company has reduced its EPC holdings over the past 6 months and is evaluating a further reduction of holdings to further reduce costs.

As part of the plan to resume active exploration of the key projects the company continues to seek investment partners for the next stage of development of the Australian assets.

#### **SPRINGSURE PROJECT – NEXT STAGE DRILLING PROGRAM**

Planning for the next stage drilling program on MDL 3002 will commence in Q2, 2016, with drilling to commence in Q3 subject to fund raising.

## **BUSINESS DEVELOPMENT**

### **AUSTRALIA**

The Company is currently considering a strategic opportunity, through a 3rd party, to assume their negotiated position to acquire a mature mining operation which is currently on care and maintenance.

### **INDONESIA**

The Company is nearing Completion of its desktop due diligence on a hard coking coal mining operation in Indonesia. The mine's production licence has a 12 year remaining life and is located in close proximity to road, barge and port infrastructure which connects into the seaborne coal market. The mine has a capability of delivering 500,000 tonnes per annum of hard coking coal.

## ABOUT TERRACOM – WWW.TERRACOMRESOURCES.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.

***Please contact Nathan Boom, on +61 2 4268 6258 or at [info@terracomresources.com](mailto:info@terracomresources.com) for further information.***



**Michael Avery**  
**Group Managing Director**

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

TerraCom Limited

ABN

35 143 533 537

Quarter ended ("current quarter")

31 March 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (9 months) \$A'ooo
1.1	Receipts from product sales and related debtors	1,549	8,589
1.2	Payments for (a) exploration & evaluation	(479)	(871)
	(b) development <sup>(1)</sup>	(355)	(7,408)
	(c) production <sup>(1)</sup>	(3,399)	(6,277)
	(d) administration	(2,035)	(6,906)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid <sup>(2)</sup>	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(312)	(1,385)
	<b>Net Operating Cash Flows</b>	<b>(5,163)</b>	<b>(14,390)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(56)	(387)
	<b>Net investing cash flows</b>	<b>(56)</b>	<b>(387)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(5,220)</b>	<b>(14,778)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,220)	(14,778)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		-
1.15	Proceeds from sale of forfeited shares		-
1.16	Proceeds from borrowings <sup>(2)</sup>	6,995	17,434
1.17	Repayment of borrowings		-
1.18	Dividends paid		-
1.19	Other (provide details if material)	(690)	(1,921)
	<b>Net financing cash flows</b>	<b>6,305</b>	<b>15,513</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,085</b>	<b>735</b>
1.20	Cash at beginning of quarter/year to date	366	687
1.21	Exchange rate adjustments to item 1.20	(13)	16
1.22	<b>Cash at end of quarter</b>	<b>1,438</b>	<b>1,438</b>

Notes:

- (1) The BNU North Mining operation achieved commercial production for accounting purposes from 1 September 2015. All costs incurred at the BNU North Mining operation prior to this date when paid will be classified as Development costs in this section as per accounting requirements
- (2) As announced to the market on 3 February 2016 in relation to the finance update, the Company continues to maintain a strong and supportive working relationship with its existing financiers. The Company has secured a new loan of USD\$5 million from its existing note holders, reached agreement with its existing note holders (represented by OCP Asia) to invest in a new 5-year interest-only bond with no cash payments due until 23 December 2016 (the Bond) that will replace their existing notes and received conversion notices from holders of 50% of its Convertible Notes (i.e. representing US\$5 million) and issued corresponding shares to the converting parties on 29 January 2016.

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(231)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes fees and salary paid to directors. Mr David Stone ceased to be a Director in Q4 2015.

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

+ See chapter 19 for defined terms.

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**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

At 31 March 2016 the AUD:USD exchange rate had strengthened to 0.7657. This is an increase since the 31 December 2015 AUD:USD exchange rate of 0.7306. This strengthening of the Australian Dollar has the impact of reversing the unrealised FX losses incurred on all remaining debt and interest owing (excluding US\$5m CN and interest converted in January 2016) as at 31 December 2015 to zero. (previously A\$8.1m unrealised FX losses).

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities <sup>[1]</sup>	148,883	148,230
3.2 Credit standby arrangements	-	-

Note

(1) Item 3.1 consists of the following financing facilities:

- Noble Debt Facility US\$10m (A\$13.1m equivalent)
- Noble Working Capital Facility US\$10m (A\$13.1m equivalent)
- Noble Fuel Exclusivity Agreement US\$7.5m (A\$9.8m equivalent) of the original facility of US\$8.0m (A\$10.4m equivalent)
- Noble Additional Debt Facility US\$14.0m (A\$18.3m equivalent)
- Noble Additional Working Capital Facility US\$7.0m (A\$9.1m equivalent)
- OCP Amortising Notes US\$55m (A\$71.8m equivalent)
- OCP Convertible Notes US\$5m (A\$6.5m equivalent)
- OCP Short Term Loan US\$5m (A\$6.5m equivalent)

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(600)
4.2 Development	(1,235)
4.3 Production	(6,680)
4.4 Administration	(1,850)
<b>Total<sup>(2)</sup></b>	<b>(10,364)</b>

Note:

(2) Ongoing funding requirements will be realised in the next quarter from the proceeds from BNU minegate sales, debt restructuring outcomes and potential equity placement.

+ See chapter 19 for defined terms.

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## Appendix 5B Mining exploration entity and oil and gas exploration entity quarterly report

As announced by the Company's ASX release dated 10 February 2016, TerraCom remains on track to deliver all aspects of the 2015 strategic review, both on a corporate level and on operational level. The Company has made significant progress in relation to the balance sheet restructure with the following achievements in the quarter:

- Existing Note Holders Debt Rolled for 5 Years at a face value of approximately US\$76 million.
- Secured a new loan of USD\$5 million from its existing note holders.
- Existing working capital facility of US\$41 million has been extended to 23 December 2016 and discussions underway to roll this into the 5 Year facility.
- US\$ 13.2 million interest and deferral fees irrevocably waived.
- US\$5 million CN converted from debt to equity.
- US\$1.1 million outstanding interest paid by additional equity in TerraCom.

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,438	366
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,438</b>	<b>366</b>

+ See chapter 19 for defined terms.

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	XV-020268 (South Gobi, Mongolia) XV-020329 XV-020139 (East Gobi, Mongolia) XV-20281 (Uvs Province, Mongolia)	-	100%

Note: During the quarter the Company relinquished sub-blocks from EPC 1963 and 2047 within the Northern Galilee Project.

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	2,400,931,258	Fully Paid	Fully Paid

+ See chapter 19 for defined terms.

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**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	221,489,379 Increase	221,489,379	A\$0.0065	Equity placement to Convertible Note Holder OLM in lieu of Interest and Fees
		1,023,066,046 Increase	1,023,066,046	A\$0.0069	Conversion of OLM Convertible Note into shares approved at EGM on 12 January 2016
		60,447,310 Increase	60,447,310	A\$0.007	Equity placement to Island Sands in satisfaction of commissions payable
7.5	<b>+Convertible debt securities</b> OCP Asia Convertible Notes <sup>(1)</sup>	500	Nil	US\$5,000	Refer Appendix 3b lodged 9 January 2014 and Notice of Meeting for EGM on 30 October 2016 lodged 28 September 2015 for terms and conditions
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	(500)	Nil	US\$5,000	Conversion Notice received for OLM US\$5m Convertible Note approved at EGM on 12 January 2016. Refer Appendix 3B lodged 1 February 2016
7.7	<b>Options</b> OCP Asia Detachable Warrants <sup>(1)</sup>	126,308,306	Nil	Exercise Price is the lower of the Cross Listing Price and the Market Price.	28 February 2021
7.8	Issued during quarter	126,308,306 (Detachable Warrants replacing 66,762,962 Detachable Warrants cancelled as per EGM 30 October 15.)	Nil	Exercise Price is the lower of the Cross Listing Price and the Market Price.	28 February 2021. Refer the Prospectus published on 20 January 2016 and Appendix 3B lodged on 29 February 2016 for terms and conditions.
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	66,762,962 (cancelled)	Nil	\$0.17	8 January 2019
7.11	<b>Debentures (totals only)</b>	-	-		
7.12	<b>Unsecured notes (totals only)</b>	-	-		

+ See chapter 19 for defined terms.

Note:

- (1) On 28 September 2015, the Company advised the market that it will hold an extraordinary general meeting on 30 October 2015, to approve, amongst other matters and subject to Shareholder Approval and Noteholder approval in relation to OCP convertible notes and OCP amortising notes, the following:
- i. Adjustments to OCP convertible notes previously issued by the Company to OCP Asia. In particular changes to the conversion price (from A\$0.06 per share to the lower of A\$0.037 and the average volume weighted average prices of shares for 30 days prior to conversion- subject to previously agreed adjusting events).
  - ii. Cancellation of the existing detachable warrants previously issued by the Company to OCP Asia and issuance of new and replacement detachable warrants. 126,308,306 warrants will have a term of 5 years from the earlier of 31 October 2015 or the date of additional capital raising, with a conversion price based on the trading price of the Company's shares for the 1<sup>st</sup> month of issuance.

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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 April 2016

Group Managing Director

Print name: Michael Avery

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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