



## **TerraCom Limited**

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5<sup>th</sup> July 2016

Dear Shareholder,

In early June I accepted an invitation to become Chairman of the Board of TerraCom Limited. Last week it was announced to the ASX that I had been appointed Executive Chairman as part of a re-organisation of the senior management team. This reorganisation will better equip TerraCom to tackle the major tasks associated with growing the company into a global mid-tier resource player.

It has been a difficult investment and operating environment with the global coal industry experiencing terrible times over the past 3 years. Many well-run "icon" companies are now facing bankruptcy or going through debt restructuring. All are focussing on cost containment and balance sheet management. For TerraCom the good news is that the balance sheet repair is largely behind us and we have exciting growth projects in front of us.

The board will review strategic priorities and assess growth proposals and the performance of the management team. If appropriate I will recommend the injection of new blood to the board.

My immediate strategic focus is threefold:

1. strengthen our balance sheet,
2. bring our Mongolian coal mine into full and profitable production, and,
3. secure new cash generative (and value accretive) assets in the Australasian region to improve the long-term financial viability of the company.

On Thursday 23 June, 2016 we announced to the ASX the restructure of \$141 million of existing and soon to be due debt facilities. The TerraCom team has worked incredibly hard to conclude the new arrangements and significantly improve the balance sheet. Our first strategic focus is substantially addressed and we are now in a better position to raise additional equity.

Work on BNU is continuing with the focus on improving performance and margins for sales into the Chinese markets. More news will hopefully be shared over the coming month.

Yesterday TerraCom announced another significant growth initiative, our move towards ownership of the Blair Athol Coal mine near Clermont in Queensland, Australia. The announcement is the culmination of complex negotiations over many

months and has given our major lenders the confidence to convert our debt facilities into a 5 year bond. There are a limited number of CP's remaining to be cleared but the SPA and security package are final and we have a clearly defined process to settlement.

We also have another opportunity outside Australia undergoing due diligence and the board will be considering this in the coming months.

As you know TerraCom holds an inventory of strategic exploration properties in Northern Queensland that are large scale. We believe these tenements are in more strategically advantageous positions than other mega-projects that have struggled to move forward in recent times. These properties have received less attention in 2016 as management have concentrated on the 3 strategic imperatives mentioned above.

The re-organisation of the management team accountabilities will allow TerraCom to maintain a dual focus: to "add value to our existing operating base" and become cash-flow positive – and to pursue "realistically achievable and value adding" growth.

I will also become a shareholder and thus be aligned with the shareholder base to grow the value of the company. I have said many times that value-adding does not come through clever manipulation of flashy ASX and press releases but from continuing the professionalization of our approach to growing operations, acquiring and advancing projects. We will be delivery focussed and ensure the opportunities we pursue will add value to our balance sheet and share price.

My long experience covers the full breadth of the mining cycle and my executive focus will be to support the TerraCom teams to grow our business. I look forward to capitalising on the opportunities and challenges ahead.

I hope to meet up with our larger shareholders soon, and with all shareholders at our AGM.

Please feel free to contact Tony Mooney (+61 423 842 259 or [tmooney@terracomresources.com](mailto:tmooney@terracomresources.com)) with any investor enquiries.

Kind regards



**Cameron McRae**  
Executive Chairman  
TerraCom Limited

**Recent ASX Announcements** – electronic copy at <http://terracomresources.com/investors/asx-announcements/>  
27 June 2016 – TerraCom Appoints Executive Chairman  
23 June 2016 – Completion of Debt Restructuring  
1 July 2016 – Bond Listed on Euroclear  
4 July 2016 – TerraCom to acquire the Blair Athol Coal Mine