TERRACOM

QUARTERLY REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2016

TerraCom Limited **("TerraCom" or the "Company") (ASX: TER)** is pleased to present its quarterly activities report for the period ended 30 September 2016.

HIGHLIGHTS

- **Corporate**
  - Strong signs of commodity price recovery in both coking and thermal coal markets. Thermal coal reached ~US$70 per tonne in September 2016 (up 40% year to date from US$50) and coking coal reached ~US$190 per tonne in September 2016 (up 150% year to date from US$76). Coking and thermal coal markets have continued to rally into October 2016.
  - Three strategic equity placements to investors covering Asia, East Europe and Australia.
  - Engagement of Fosters Stockbroking to provide corporate advisory and capital market services, including institutional research coverage on TerraCom expected to be released in early November 2016.
- **Mongolia**
  - Subsequent to the end of the quarter, TerraCom through its wholly owned subsidiary Terra Energy LLC (Terra) executed a binding term sheet with a wholly owned subsidiary of the Kingho Group for a 5.5-year offtake of hard coking coal (HCC) produced from the BNU Coal Mine. The agreement is for a total of 7.5 million tonnes over the term and has pricing linked to a commercially in confidence mine gate pricing structure, reflecting the significant improvement in coking coal prices observed in the market.

- The planned vendor financed CHPP at the BNU project has progressed to the Feasibility Study phase with final government approvals expected in Quarter 4, 2016.
- Terra Energy LLC has further defined target commodities throughout the Uvs licenses and has begun early stage exploration to identify prospective coal, evaporate salts (potash), Uranium, and associated brines and clays (Li and Mg).

- **Australia**
  - TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd, has reached agreement to acquire the Blair Athol Coal Mine (mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV)
  - TerraCom submitted the requisite detailed and supporting documentation to the Queensland Government for assessment for an Indicative Approval for Title Transfer of Blair Athol mining lease.
  - TerraCom received the stamp duty assessment from Office of State Revenue for stamping of Title Transfer of Blair Athol mining lease.
  - Subsequent to the end of the quarter:
    - TerraCom also received Australian Government - Foreign Investment Review Board (FIRB) approval for the acquisition of the Blair Athol Coal Mine by its wholly owned subsidiary Orion Mining Pty Ltd.
    - TerraCom secured US$12m in a separate funding agreement to support the commissioning of the Blair Athol Coal Mine.
    - TerraCom executed a contract with Link Mining Services Pty Ltd (Link Mining) for a full service mining contract at the Blair Athol coal mine. The agreement is for 5 years and will cover all operational aspects. A key element of the Link Mining contract is the provision of AUD$11.6 million in funding towards the Project.
    - TerraCom and Link Mining are now finalising a detailed Mobilisation and Integration plans which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team.

CORPORATE STRATEGY AND OPERATING ENVIRONMENT

During the quarter there have been strong signs of commodity price recovery in both coking and thermal coal markets. Thermal coal reached ~US$70 per tonne in September 2016 (up 40% year to date from US$50) and coking coal reached ~US$190 per tonne in September 2016 (up 150% year to date from US$76). Both commodities have continued to rise post September.

Whilst this is extremely promising this sharp movement is representative of the market volatility which the mining industry continues to work through. The Company is confident that sustained prices (including small downward price corrections) during the next couple of quarters will remove a substantial portion of the market volatility still being faced by the industry.

SHARE ISSUES TO STRATEGIC INVESTORS

During the quarter the Company issued private share placements to strategic investors through existing capacity under listing rules 7.1 and 7.1A. The placements are part of the building block in the Company's funding strategy which will help deliver the expansion of the Mongolian coking coal mine, acquisition and commissioning of the Queensland thermal coal mine and completion of the potential acquisition of the Indonesian coking coal mine.

1. Sea Honour Limited – Hong Kong based private investment company owned by Anthony Steins (CEO of Comprador Limited and former Head of Blackstone Advisory Partners in Asia and Global Head of Metals and Mining Coverage).

   Key details of the placement to Sea Honour Limited are as follows:

   - US$1 million funds raised
   - Issue date was 9 August 2016
   - Issue price per share was $0.0166 (rounded to 4 decimal places)
   - 80,840,502 fully paid ordinary shares issued

2. Light Speed Commercial Inc. – three large and prominent Eastern European based private investment companies, led by Light Speed Commercial Inc.

   Key details of the placement to Light Speed Commercial Inc. are as follows:

   - AU$1.1 million funds raised
   - Issue date was 6 September 2016
   - Issue price per share was $0.0206469 (rounded to 7 decimal places)
   - 55,407,834 fully paid ordinary shares issued (including 2,131,071 issued in lieu of cash commissions)

3. Fosters Stockbroking Pty Limited – private and institutional clients of Fosters Stockbroking Pty Limited.

   Key details of the placement are as follows:

   - AU$1.0 million funds raised
   - Issue date was 6 September 2016

- Issue price per share was $0.0215 (rounded to 4 decimal places)
- 44,411,629 fully paid ordinary shares issued

ENGAGEMENT OF FOSTERS STOCKBROKING PTY LIMITED

During the quarter the Company engaged Fosters Stockbroking Pty Limited (Fosters) to provide corporate advisory and capital market services, including institutional research coverage on TerraCom.

There is no cash retainer or payment to Fosters for the provision of these services but the Company issued 30,000,000 unlisted options in two equal tranches as follows:

- 15,000,000 options with a strike price equal to $0.03 with an expiry date of 31 August 2018; and
- 15,000,000 options with a strike price equal to $0.045 with an expiry date of 31 August 2018.

APPOINTMENT OF EXECUTIVE DIRECTOR DAVID STONE

David Stone was appointed as Executive Director to TerraCom Board on 4 September 2016. David continues to remain as Vice President – Operations at TerraCom Limited and his appointment to the board will add invaluable operational expertise to the board.

David Stone is based in Australia and his career spans over 20 years with expertise in global operating resources businesses, in senior management, project development, operations and closure. He has a track record of transforming businesses and creating shareholder value. He had led both open cut and underground operations across multiple geographies. David has been a representative on government and industry committees and boards. He holds a Mine Manager and Senior Site Executive qualification.

OPERATIONS - MONGOLIA BNU

The BNU hard coking coal mine continued to transport coal to Northern China markets during the quarter and the mining operations remain on standby in preparation for full recommencement of activities upon finalisation of offtake agreements.

Subsequent to the end of the Quarter a binding term sheet was executed with wholly owned subsidiary of the Kingho Group for a 5.5-year offtake of hard coking coal (HCC) produced from the BNU Coal Mine. The agreement is for a total of 7.5 million tonnes over the term and has pricing linked to a commercially in confidence mine gate pricing structure, reflecting the significant improvement in coking coal prices observed in the market.

The delivery of hard coking coal continued to the JISCO and Haohai steel mills in China during the quarter. Demand for BNU hard coking coal, indeed Mongolian hard coking coal is increasing, with BNU coal characteristics in particular demand.

BNU's mining operations remain in a state of readiness and are able to start up in a rapid manner once the offtake agreements are finalized which is anticipated early in the 4th Quarter of 2016. The active mining areas have been maintained to a dewatered state, winterisation of key infrastructure has occurred and personnel and equipment retained.

SAFETY

Activity on the BNU site was limited to coal transport and site maintenance activities during the quarter, however these activities have continued to be performed whilst maintaining the impressive safety record of No Lost Time Injury (LTI) since inception and BNU has now recorded 1.67 million man hours without an LTI.

PRODUCTION

During the quarter, the BNU operation focused on continued washing and shipping to end users in China from stockpiled inventory within the new supply chain. No direct mining activities occurred.

	2015/2016 Q4	2016/2017 Q1	2016/17 YTD
Rom coal production (tonnes)	0	0	0
Overburden removed (BCM)	0	0	0
Coal trucked to China (tonnes)	56,274	0	0
Coal washed (tonnes)	33,928	46,215	46,215
Overall gross product yield	94%	91%	91%
Prime HCC delivered to Customers (tonnes)	18,265	32,860	32,860
Other Coal delivered to customers (tonnes)	7,911	1,800	1,800
EOM ROM Stocks (tonnes)	40,049	40,049	40,049

TABLE 1 – QUARTERLY BNU COAL PROJECT PRODUCTION STATISTICS

The implementation of the new supply chain for BNU is now complete and operations through this channel have enabled adequate volumes of coal to consistently reach China. At the end of the quarter, the new supply chain had successfully exported a total of 88,622 tonnes of BNU coal to China and completed processing of 80,143 tonnes of hard coking coal, with the remaining coal sold direct to end-users. The new plant has delivered improved yield results, middling's recovery and ash control on BNU Coal to enhance additional value within the coal chain. A key component of the new supply chain has been the ability for the operations team to deliver hard coking coal with different ash profiles to a variety of customers, utilising the enhanced washing control delivered by the new CHPP.

The new supply chain has proven its capability to provide a platform for the ramp up of the BNU operations. When combined with the supply chain components of the recently announced Kingho offtake arrangement and the implementation of the BNU CHPP, the Mongolia coking coal operations are poised to take full advantage of the rebound in global coking coal prices.

BNU ON SITE CHPP

TerraCom has significantly advanced the development of a Mongolia based Coal Handling and Processing Plant (CHPP) for the Baruun Noyon Uul (BNU) operations in the South Gobi. The Mongolia CHPP strategy will be a pivotal asset in controlling the volume and quality of coal supplied from BNU through the Shivee Khuren and Ceke border into China. It will also allow TerraCom to claim back full VAT credit from the BNU operating costs, adding significant NPV value to the existing and future projects in the basin. The CHPP is planned to be vendor financed.

TerraCom are aiming for successful completion of the engineering and permitting for the CHPP by end of Q4 2016. TerraCom have signed a term sheet and are also in advanced negotiations on long form contracts with Guohua Technology Corporation (GTC), a highly experienced, competent and competitive CHPP provider from Tangshan, China. GTC have designed and built over 500 wash plants in China. GTC currently have more than 10 patented technologies that are widely accepted within the China coking coal processing industry.

GTC will be incorporating a number of these patented technologies into the BNU CHPP including the "gravity fed three product HM cyclone", the "fine coal HM cyclone", inline analysis and control systems and their patented flotation cell technology. This technology results in lower capital and operating costs compared to conventional Dense Medium Cyclone plants, and also for meaningfully lower water consumption. The plant will produce dry rejects and tailings slime, alleviating the need for a Tailings storage facility with associated complex management systems.

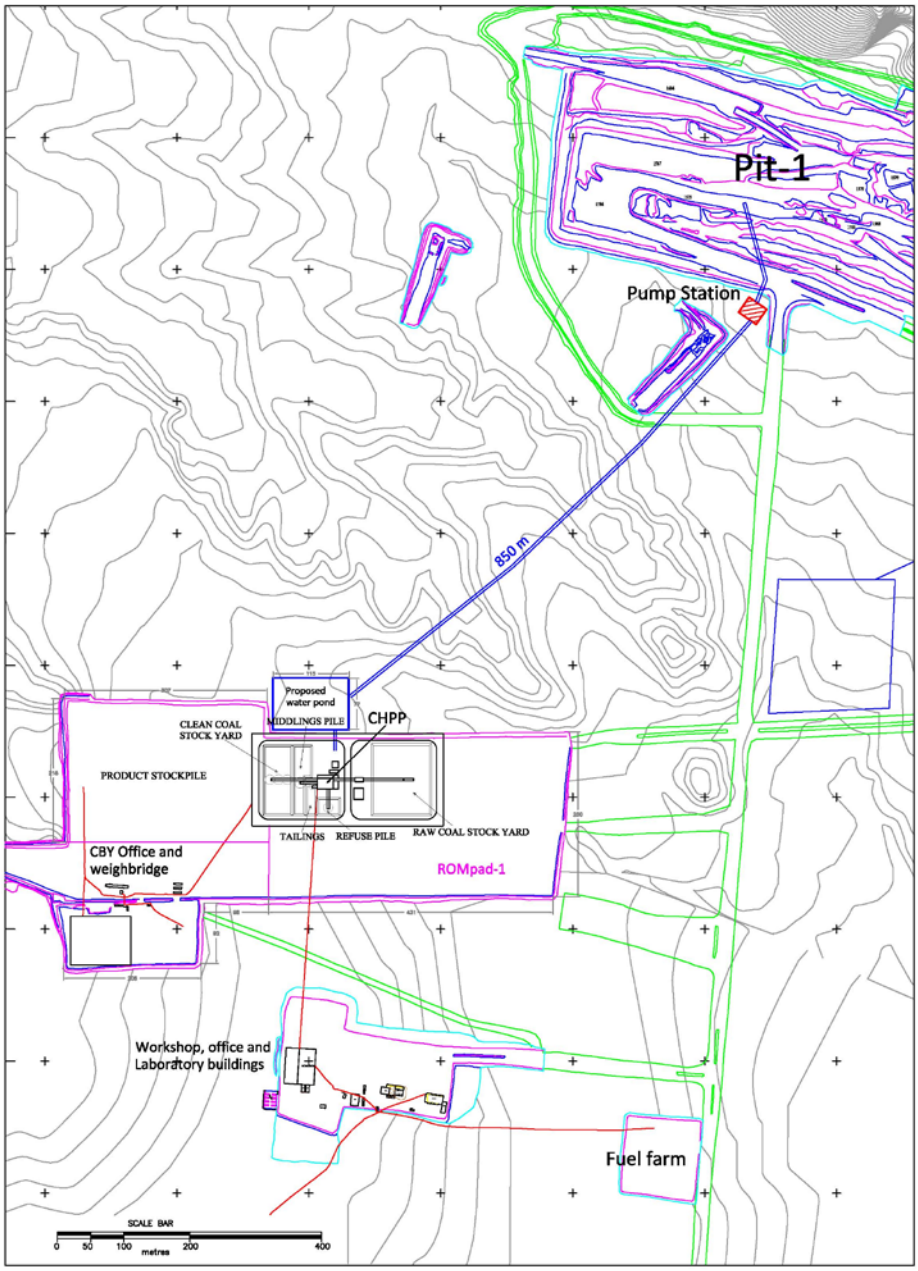
GTC and TerraCom jointly participated in preparation of a feasibility study in compliance with all Mongolian regulations and authorities in order to gain approval to construct the facility. The feasibility defined a CHPP with the following key parameters:

Plant Design Parameters	
Throughput	170tph
Annual Mech Availability	6500 hours
Plant Life	15+ years
Plant Style	Modular

GTC and TER have agreed to develop a modular style plant, which allows for the later relocation of the facility to support the multi pit strategy adopted by TerraCom for the South Gobi operations. The modular plant is completely self-sufficient with built in diesel power generation and coal fired boiler heating and can be transported on rail/road trucks without the need for oversize load management.

The CHPP will be located in line with our current ROM to customs bonding process, with ready access to water sufficient for the coal processing from the mine operations. A schematic of the plant and its location and layout is included below:

Below is a simple schematic of the plant layout:



Target project milestones are set out in the table below:

Requirement	Timing
Hydrology Study to inform DEIA (Completed)	Sep 16
Experts review	Oct 16
Execute EPC with preferred Contractor	Oct 16
FS Ministerial Approval	Oct 16
Environmental Approvals	Nov 16
Construction approvals	Dec 16

BNU MINE EXPANSION EXPLORATION UPDATE

The Terra Energy team completed a major exploration strategy review in March 2016 identifying and ranking a number of highly prospective targets across the 50km of identified coal strike within the Terra Energy South Gobi assets. This program is planned to deliver targets to enable further expansion of the production profile to match demand and capacity in the supply chain and to extend the life of the mine complex.

BUSINESS DEVELOPMENT – MONGOLIA

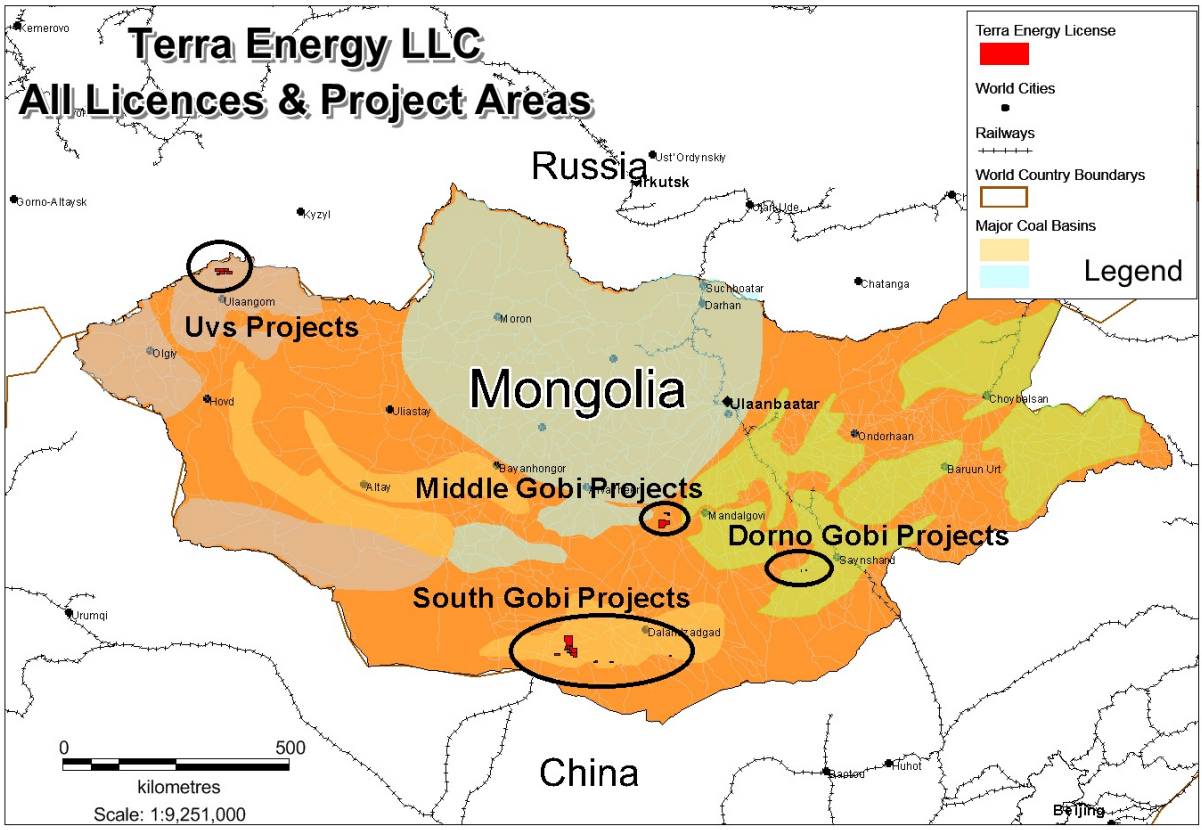
UVS PROJECT

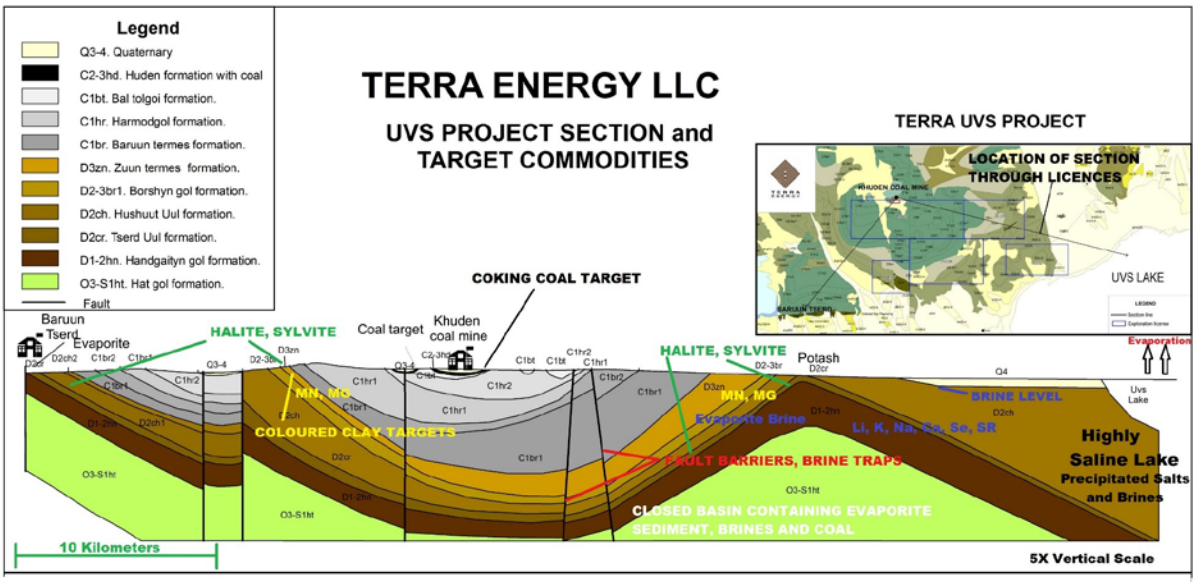
The **Uvs basin** is prospective for coal, evaporate salts (potash), uranium, and associated brines and clays (Lithium (Li) and Magnesium (Mg)).

Further evidence exists in the form of operating coking coal and potash mines in neighbouring areas. Uvs is located close to a 220Kw power line which runs from Russia into Mongolia and the sealed Kyzyl Highway intersects the project area which runs to the Russian Border crossing at Borshoo. This initial access into Russia continues to railways which service the port of Vladivostok. In addition, there are proposed future rail links from this region.

Work has commenced, with early stage exploration ongoing to identify prospective coal, evaporate salts (potash), uranium, and associated brines and clays (Li and Mg). The vast land holdings and variety of targets across the lease require extensive ground mapping prior to more detailed exploration strategies.

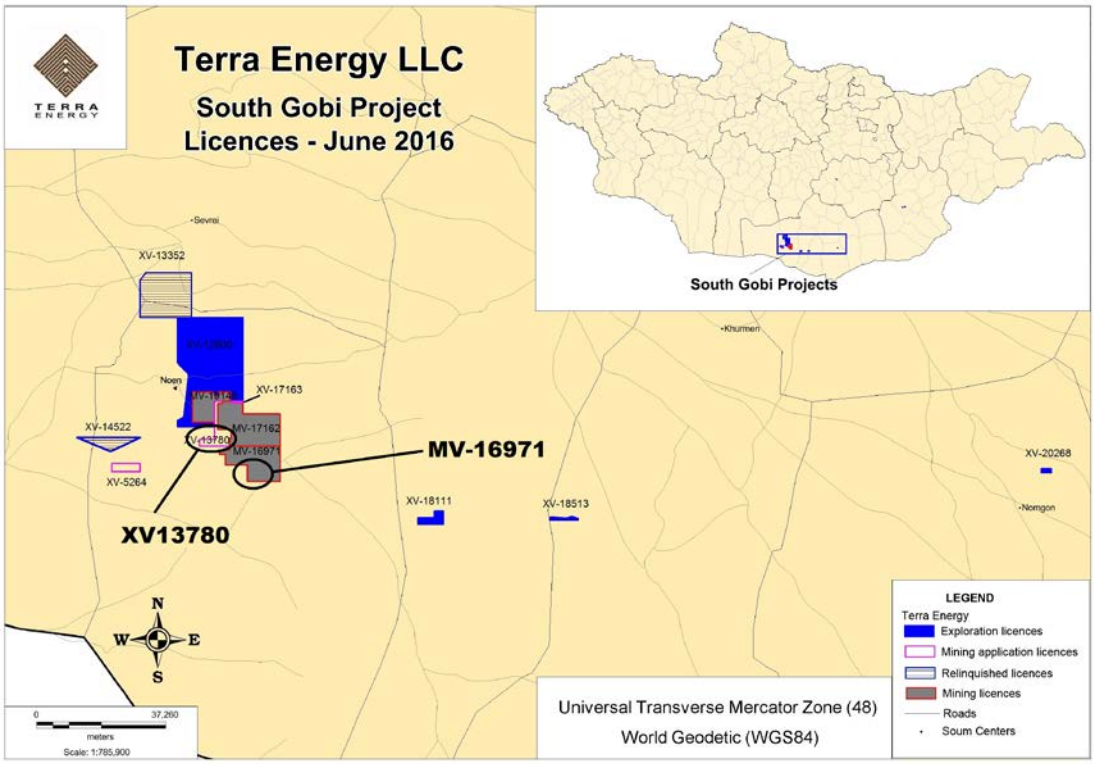
Upon the completion of ground mapping, the first stage of exploration will be defining the 2D structure with insitu mapping using radio metrics to target marker units such as Potassium (K+) which will indicate Sylvite, an evaporite Mineral. The second stage will define the 3D structure using electronic survey and is planned to determine the existence of brines due to their high conductivity.



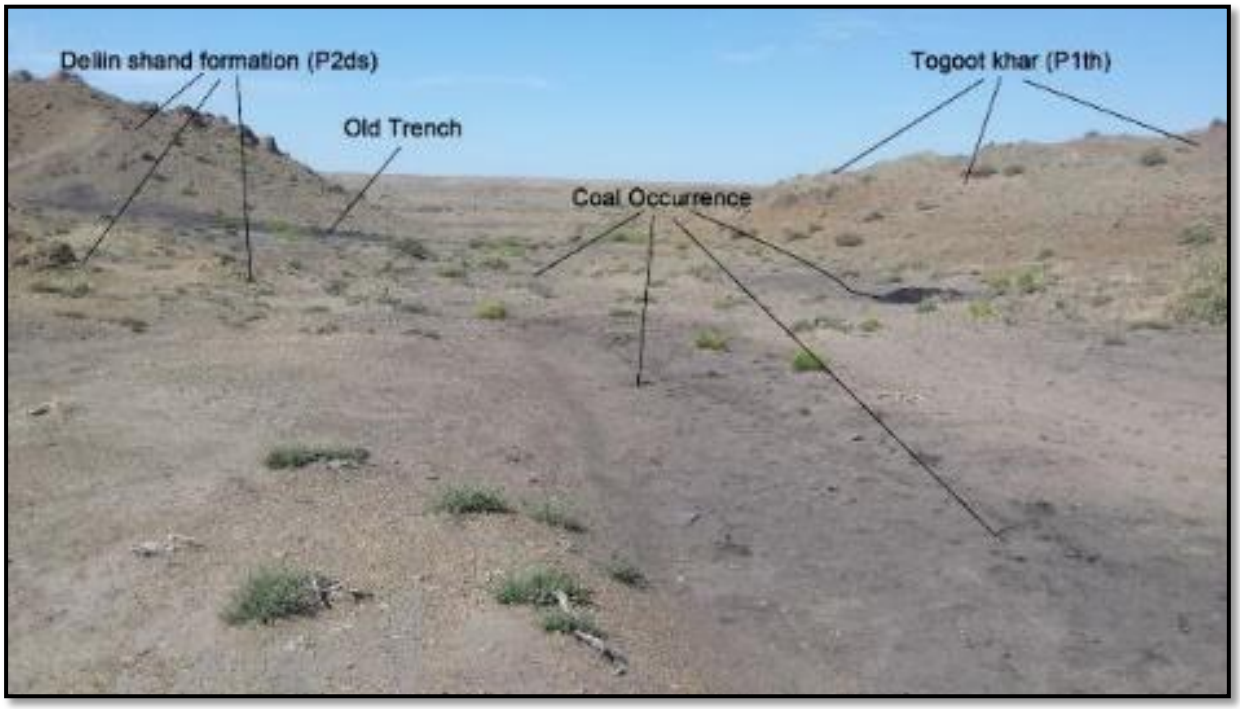


SOUTH GOBI EXPLORATION UPDATE

The Terra Energy team completed an extensive mapping effort within the southeast part of XV-13780 exploration license and MV-16971. Initial exploration identified significant coal occurrences at surface across both licenses and has provided key target areas for a proposed trenching program to be conducted in Quarter 4, 2016.



XV-13780: COAL OCCURRENCE LYING ALONG SANDSTONE NARROW BEDDING



XV-13780: COAL OCCURRENCE DETECTED AT THE CONTACT AREA OF PERMIAN DELIIN SHAND (P2DS) AND PERMIAN TOGOOT KHAR FORMATION (P1TH).

XV-13780: COAL OCCURRENCE LYING AT THE CONTACT AREA OF SANDSTONE AND QUATERNARY SEDIMENT

MV-16971: COAL OCCURRENCE LYING ALONG THE SANDSTONE BEDDING

NEW MINING LICENSE

South Gobi Mining Licenses applications XV005264, XV13780 and XV17163 all remain in the last stages of approval with MRAM (Minerals Resource Authority of Mongolia), noting that approval of these licenses has been delayed with National and regional government changes implemented during the quarter.

COAL BED METHANE LICENSE

A CBM license exploration contract application in the South Gobi remains under negotiation with PAM (Petroleum Authority of Mongolia). The recent National government election has brought about the merger of key government departments so that PAM is now joined with MRAM. Terra Energy is working with the New Government department to obtain the license which will provide a strategic holding for Terra Energy in this prospective area, adjacent to its current South Gobi operations.

OPERATIONS – AUSTRALIA BLAIR ATHOL

TerraCom through its wholly owned subsidiary Orion Mining Pty Ltd, has reached agreement to acquire the Blair Athol Coal Mine (mine) in Queensland, Australia from the Blair Athol Coal Joint Venture (BACJV) subject to certain conditions precedent as outlined below.

The acquisition price is AUD$1 and TerraCom will receive AUD$80m from the BACJV (vendor) to meet Blair Athol Coal Mine's rehabilitation liability as determined by Queensland's Department of Environment Heritage Protection in November 2015. The Financial Assurance will be provided as cash to be held in a bank account approved and controlled by the Queensland Department of Natural Resources and Mines.

The security package that backs the Financial Assurance is in place, and will be reviewed and approved by government. The final execution of a binding sale and purchase agreement requires approvals from the TerraCom Board, and each BACJV participant. Once complete, the Company will submit an application for the transfer of the Mining Lease for the consideration of the Minister for Natural Resources and Mines.

The acquisition includes the mining lease, related licenses, land, active contracts and all mining plant & equipment, including a dragline, to deliver TerraCom's forecast production schedule and the progressive rehabilitation. All site infrastructure including offices, workshops and stores associated with the mine are also included in the transaction.

The Blair Athol Coal Mine ceased production under its current management in late 2012 and has been maintained in good condition. TerraCom plans to commence over 50 hectares of site rehabilitation while bringing the mine back into production. The operation is planned to deliver 2Mtpa of coal and ongoing progressive rehabilitation, with a target of operations recommencing in the 4th Quarter 2016.

This acquisition, when completed, is a significant milestone for TerraCom, bringing the following benefits:-

- Progressive rehabilitation of one of Queensland's oldest coal mines.
- The resumption of coal mining and export sales from the Blair Athol Coal mine will provide the local, state and federal economies with increased economic activity in the form of:
    - Estimated over 100 local people will be engaged at the operation with a focus on regional employment;
    - Local Government rates and charges - Isaac Regional Council;
    - State and federal tax revenues;
    - Significant royalties;
    - Boost to local suppliers and contractors; and
    - Local population boost.
- The recommencement of mining at Blair Athol Coal mine is forecast to deliver TerraCom positive cash flow through a low overhead structure and operational efficiencies.
- This acquisition combined with the Companies recent debt restructuring and its hard coking coal mine in Mongolia will transform the TerraCom balance sheet with a materially positive impact on net assets.
- Provides TerraCom with comprehensive mine facilities and an established mining operation as a regional hub in Queensland to support expansion plans.

Approvals

TerraCom has submitted the requisite detailed and supporting documentation to the Queensland Government for assessment for an Indicative Approval for Title Transfer. TerraCom has received the stamp duty assessment and the other elements are currently progressing through the requisite departments for assessment.

Subsequent to the end of the quarter, TerraCom has received Australian Government - Foreign Investment Review Board (FIRB) approval for the acquisition of the Blair Athol Coal Mine by its wholly owned subsidiary Orion Mining Pty Ltd. Whilst TerraCom is a proud Australian Company it has a share register that consists of a majority of non-Australian investors.

Funding

TerraCom has secured US$12m in a separate funding agreement (the Facility) to support the commissioning of the Blair Athol Coal Mine, this is in addition to the LINK Mining Services facility.

The Facility will be provided according to a progressive drawdown schedule linked to pre-agreed milestones and cashflow requirements in order to expedite the commissioning and start-up of the mine. The Facility incurs interest of 9% per annum and is split into two parts: (i) US$3m repayable over 12 months from the date of commissioning and (ii) US$9m provided on a rolling basis for 5 years. The Facility is being provided by an international group with in-depth knowledge of the Australian mining industry.

Contract Operation

Subsequent to the end of the quarter, TerraCom has executed a contract with Link Mining Services Pty Ltd (Link Mining) for a full service mining contract at the Blair Athol coal mine. The agreement is for 5 years and will cover all operational aspects. The contract will become effective on mining lease title transfer.

TerraCom and Link Mining are now finalizing a detailed Mobilisation and Integration plans which will ensure a seamless transition from the management of the BACJV to the TerraCom & Link Mining team.

A key element of the contract is the provision, through Link Mining, of AUD$11.6 million. The funding will be utilized as follows:

- AUD$4.1 million be paid to TerraCom to be utilised for general working capital requirements; and
- AUD$7.5 million be paid for upfront recommencement mining and beneficiation costs.

The provision of the funding has resulted in Link Mining paying for all material mining and beneficiation recommencement costs and thereby reducing TerraCom's exposure substantially for recommencement cost activities.

BUSINESS DEVELOPMENT

INDONESIA

The Company is still progressing 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 and has considerable expansion opportunities within the lease and through consolidation of surrounding projects.

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.

In order to support further growth and expansion, TerraCom continues to evaluate cash generative assets for potential acquisition. In this regard, the Company recently announced that it has entered into an 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.

Please contact Nathan Boom, on +61 2 4268 6258 or at info@terracomresources.com for further information.

Cameron McRae

Executive Chairman

+Rule 5.5

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, 01/05/13, 01/09/16

Name of entity

TerraCom Limited

ABN	**Quarter ended ("current quarter")**
35 143 533 537	30 September 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (.....months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	51	51
1.2	Payments for		
	(a) exploration & evaluation	(97)	(97)
	(b) development	(35)	(35)
	(c) production	(1,729)	(1,729)
	(d) staff costs	(476)	(476)
	(e) administration and corporate costs	(874)	(874)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(470)	(470)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(3,629)**	**(3,629)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (.....months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	3,397	3,397
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(53)	(53)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**3,344**	**3,344**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,148	1,148
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,629)	(3,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,344	3,344
4.5	Effect of movement in exchange rates on cash held	(31)	(31)
4.6	**Cash and cash equivalents at end of period**	**832**	**832**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	832	832
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**832**	**832**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	(298)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Nil

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Nil

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	199,872	199,872
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Super Senior Note A

The Super Senior Note A facility was fully drawn down on 30 June 2016 for the amount of US$12,000,000. The facility bears an interest rate of 15% with interest payable on the repayment date. The repayment date is 1 year from the issue date being 30 June 2017.

Super Senior Note B

The Super Senior Note B facility was fully drawn down on 30 June 2016 for the amount of US$5,000,000. The facility bears an interest rate of 15% repayable at 30 June 2017. The expiry date is 1 year from the issue date being 30 June 2017. On this date, the Group has an unconditional right to convert the outstanding amounts (principle and interest) into the Listed (Euroclear) bonds with repayment due on the same terms and conditions of the bond.

Listed (Euroclear) Bond

The Listed (Euroclear) Bond was fully drawn down on 30 June 2016 for the amount of US$97,000,000 (purchase value of the bonds). The facility bears a cash interest rate of 12% per annum, payable 6 monthly in arrears except for the first interest payment which is not due until 12 months from bond issue. The maturity date of the facility is 30 June 2021 at which point the redemption value of the bonds is due and payable for the amount of US$124,000,000. The value uplift applied between the redemption value and purchase price, along with the interest, implies an annual cumulative interest rate of 21.09%.

This facility includes a special interest component which has been treated as a separate non-derivative financial liability (note 18). This instrument, which represents an incremental cost that is directly attributable to the issue of the bond, has been treated as a transaction cost and offset against the fair value on initial recognition.

The facilities are subject to debt covenants and obligations to make interest and principal payments on set dates. Should these terms not be met by the Company an event of default may eventuate.

Fuel Exclusivity Agreement

On 14 November 2013, the Company entered into a Fuel Exclusivity agreement with Noble for US$8,000,000. The facility bears an implied annual interest rate of 9.7% and original maturity was on 11 November 2015. The facility has been renegotiated with Noble on numerous occasions.

The most recent terms of the agreement requires the Group to repay the principle and implied interest on a monthly basis, however only one payment of US$100,000 was made during the financial year. The carrying value of the facility at 30 June 2016 represents the principle and interest owing in accordance with the payment schedule at this date. The facility is due on 31 December 2016.

Non-Interest Bearing Loan

This amount relates to US$3m due by the Group to Noble and is payable by the recently acquired Enkhtunkh Orchlon LLC. This amount is due for repayment on 1 October 2020.

Subsequent to quarter end the Company has reached agreement for a US$12 million and AU$11.6 million in separate funding agreements to provide the necessary working capital and support the commissioning of Blair Athol Mine.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	2,582
9.2	Development	300
9.3	Production	11,541
9.4	Staff costs	1,045
9.5	Administration and corporate costs	1,752
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**17,220**

The estimated cash outflows will be covered by coal sales revenue from BNU Mine in Mongolia, the Blair Athol Mine in Australia (currently going through the government approvals process), and other funding facilities.

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 October 2016
Executive Chairman

Print name: Cameron McRae

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report

has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.