

## Project F Production

		Quarter Ended	Year to date
		June 2017 <sup>1</sup>	(6 months)
ROM coal mined	k tonnes	22.9	115.3
Coal at Port	k tonnes	19.2	98.3
Waste mined	k bcm	68.0	309.7
ROM strip ratio <sup>2</sup>	bcm : t	3.0:1	2.7:1

1. Production in April only, due to planned deployment of fleet to road construction works.

2. Bcm waste : ROM coal t

## Highlights

- Safety performance is improving, with no LTIs during the quarter.
- 98 kt of thermal and semisoft coking coal is on stockpile at Beringovsky Port ready for sale and performance trials with major North Asian steel mills. Sales contracts for the first cargos of thermal coal to China and the Chukotka market were completed.
- Winter mining and transportation of coal to port ceased at the end of April as planned, and work on the first 2017 phase of haulage road construction commenced in May. The road work is on schedule with mining and coal haulage planned to recommence in the second half of July.
- TIG completed construction of the Port customs checkpoint. It was successfully commissioned by the supervising authorities and is now in operation.
- Beringovsky Port commenced operations for the season, 18.2 kt of third party coal was transhipped in June.
- Equipment procurement to expand the operations was completed. Two excavators, one bulldozer, one front end loader and auxiliary fleet are to be delivered this shipping season.
- A coal crusher was delivered on the first vessel to Beringovsky in June and is now operating.
- TIG moved to 100% ownership of Amaam North (including Project F) with the finalisation of the transaction with its JV partners.

## Health and Safety

In the June quarter, there were no lost time injuries (LTIs), and four incidents. Three incidents of a moderate nature were related to vehicles, each of which were injury free. One minor incident in the mine workshop resulted in a recordable injury.

The Total Reportable Injury Frequency Rate (TRIFR) from the commencement of Project F (July 2016) to 30 June 2017 is 0.03 per million hours. The company's last LTI was in January 2014.

## Project F Phase One Production

Mining and coal haulage to the Port occurred during April only. 22.9 kt of ROM coal was mined at a strip ratio of 3.0:1 (bcm waste:t coal). 19.2 kt of coal was transported to the Port before warmer weather conditions and melting snow (at the end of winter) made parts of the road unsuitable for effective coal haulage.

Waste mining in April was in line with expectation, and largely unaffected by early spring weather conditions. Coal haulage to the Port was adversely affected, with April coal haulage 27% less than the monthly average achieved in the March Quarter.

From the commencement of production in late December 2016 to the end of April, TIG has largely completed its objectives. This initial period of production prior to our planned recommencement of road construction has:

- Delivered three grades of coal (two thermal and semi soft coking) to the Port stockpiles to enable potential customers to contract for cargos during the 2017 shipping season.
- Confirmed the mining fleet productivity is in line with expectation.
- Confirmed the suitability of the Scania coal haulage fleet to operate during our winter conditions and provided a better understanding of productivity and fleet requirements for TIG's expansion to 600 ktpa.
- Indicated those parts of the haulage road that require improvement during the current road construction works.
- Highlighted a number of areas of focus to improve performance once mining and coal haulage recommences.

Site mining and coal haulage cost performance for the first four months of full production, January to April 2017, is summarized below.

Site Coal Production Costs Four months Jan to April 2017	US\$ 000s	US\$/t ROM coal 115.3 kt	US\$/t coal at Port 98.3 kt
G&A and fixed	621	5.4	6.3
Other production costs	2 323	20.1	23.6
Equipment Leasing <sup>1</sup>	945	8.2	9.6
<b>Total Site Costs</b>	<b>3 889</b>	<b>33.7</b>	<b>39.6</b>

1. Equipment leasing costs include prepayments for additional fleet to be delivered this year. Lease costs are forecast to be ~US\$275k/quarter post completion of the CAT leases in Oct 2017.

Production unit costs for the first four months of full production are higher than forecast for future operations. The main areas of high expenditure were equipment leasing of US\$945k. This cost includes one-

off prepayments for additional Scania haulage trucks to be delivered to site in August and September. Following the completion of the lease for our CAT fleet in Oct 2017, quarterly lease payments are forecast to fall to ~US\$275k/qtr. Other production costs are higher on a unit cost basis due to low production during the initial ramp-up phase of operations. As the production rate increases during Phase One, site costs for mining and delivery of coal to Port are forecast at approximately US\$22/t at 600 kt per annum.

## Coal Marketing and Sales

Coal quantities and qualities at the Port as at 30 June 2017 are as follows.

Port Stockpile Types	k tonnes	Ash %	CV NAR kcal/kg	CSN
Thermal - Lower CV	40.7	18.3	5,150	0.0
Thermal - Higher CV	30.7	13.2	6,330	1.1
Coking Semi Soft	27.0	9.7	6,910	6.0

The Port opened in the first week of June. To June 30, 18.2 kt of third party coal was transhipped on small 5 to 7 kt bulk carriers to Chukotka customers. No TIG coal was shipped in June.

Our customs checkpoint, commissioned and accepted by the supervising authorities on 19 June, is now operational and is manned by customs and border control personnel and accordingly we are now able to export our coal. The sea trials and registration of two newly refurbished transshipment barges in Anadyr to the north was completed in the last week of June and these have now been moved to TIG's Port. The required loading equipment (including ships grabs, coal crusher and belt conveyor magnets) arrived on the first cargo ship from Vladivostok in the third week of June.



**Anton Solovyev (Project Engineer, far right) and Denis Kurochkin (CFO, fourth from left) in the new checkpoint briefing Vice Governor Leonid Nikolaev (second from left), Border Control and Customs Service personnel**

The Port is now fully operational for export with all the required upgrades for the 2017 shipping season complete. TIG's first export cargo of 40kt is now scheduled for shipment in mid-July.

Regarding coal marketing, TIG has signed contracts for the initial sales of its thermal coal. TIG's first cargos will be the lower CV thermal coal (5,150 kcal/kg NAR) sourced from oxidized coal at surface, into China and the Chukotka domestic market.

TIG's expectation is to have two to three trial cargos of semi soft coking coal sold to major North Asian steel mills for 2017 delivery. In addition, a 40kt cargo of higher quality thermal coal (6000 kcal/kg NAR) is currently under discussion for August loading which will be at a price significantly higher than that of the July low CV cargo.



Commissioning the Kleemann Coal Crusher

## Coal Outlook

In 2016, against a backdrop of supply tightness promoted by Chinese production reform and strong demand for metallurgical coal by steelmakers, metallurgical coal prices rose significantly with the December quarter benchmark hard coking coal price hitting US\$200/t.

Following the impact of Cyclone Debbie in Queensland earlier this year, spot metallurgical coal prices again increased through April-June 2017. The lack of supply and uncertainty of the force majeure conditions created at the Australian ports meant that very small volumes of spot coal were fixed and accordingly lead to a deferral of benchmark negotiations for Q2 2017. This eventually resulted in Australian suppliers and Japanese buyers switching away from the benchmark negotiation system, and to short term purchases and contractual procurement based on index pricing per published reports by Platts and TSI.

The Q3 2017 semisoft coking coal benchmark price was settled at US\$126/t. It appears that the pricing methodology for all metallurgical coal types is evolving and market expectations are that coking coal prices will fall from recent high benchmark levels towards the current spot price levels of around US\$145/t for hard coking coal and around US\$95/t for semisoft.

Thermal coal demand has remained strong throughout 2017, despite relaxation of Chinese coal production restrictions. The monthly Newcastle index price (for 6000 kcal/kg NAR coal) has ranged from US\$74/t to US\$84/t, with the June average closing at US\$81/t. The market is still determining whether Chinese authorities could impose further restrictions on thermal coal imports during the second half of 2017, and the effect this may have on spot prices.

## Project F 2017 Construction

During the quarter, as part of the works required to increase Phase One production to 600 kt per annum, TIG commenced a new phase of construction works and largely completed its 2017 procurement campaign for additional fleet and the items needed for infrastructure upgrades. In summary:

- Road construction during May and June progressed in accordance with plan. The works are divided into three areas, the completion of major stream crossings, the construction of road base and the placement of a gravel running surface. Across the 40 km road length by 30 June 2017:
  - All major stream crossings were completed.
  - Road base was delivered and placed over 23.5 km of the 27.5 km of road which required additional road base (13 km of the road base was completed in 2016).
  - Gravel top surface was delivered and placed over 20.5 km of the 33 km of road requiring gravel.
- The Port checkpoint construction started 29 April and was completed over a period of 7 weeks. These works included the installation of the required communications and other systems required for the checkpoint to effectively operate.
- Works commenced at the pit infrastructure site to increase accommodation capacity, and to complete other minor works targeted at improving work areas and the camp.
- Major mobile equipment procurement was completed. During 2017, TIG will deliver:
  - Four new pieces of equipment leased from Liebherr, a 40t class excavator for additional coal mining capacity, a 20t class excavator and 23t class front end loader for managing coal stockpiles at the Port, and a 17t class excavator for both coal stockpile management and haul road maintenance.
  - Auxiliary equipment which includes two buses for efficient transport of personnel, a second snow clearing machine and a gritting truck to improve winter coal haulage operations, and light vehicles for supervision and maintenance purposes.
- For the Port operations, during June, TIG delivered a Kleemann mobile coal crusher, three new 8 cubic metre capacity ships grabs and two conveyor magnets.



**The new customs checkpoint at Beringovsky Port**



Completed section of road - Marcus Trost (Operations Manager), Anatoly Nikolaev (GM Operations) and Ivan Subbotin (Mining Manager) inspecting a completed river crossing.



Anatoly Nikolaev (GM Operations) inspecting TIG's newly arrived ships grabs.

## Exploration Activities

No exploration field activities were undertaken on TIG's other exploration and mining licences in the June quarter. Key activities during the quarter included:

- Preparation of reports that will be used for the conversion of parts of the Project F Resource area from an Exploration Licence to an Exploration and Extraction (Mining) Licence.
- Working with Rosnedra on the conversion of part of the Amaam Exploration Licence area (the southern part of Area 3) to an Extraction and Exploration (Mining) Licence.

In addition, as part of the "Actualisation" process (bringing all Licences in conformance with legislative changes) undertaken recently, the two Licences at Amaam were reissued with new Licence numbers. The new Licences are Exploration Licence No. AND 01277 TP (Zapadny Subsoil Licence) and the Exploration and Extraction (Mining) Licence No. AND 01278 TE.

## Corporate

As reported to the ASX on 7 July 2017, Tiger Realm Coal Limited is pleased to announce it has moved to 100% ownership of the Amaam North including Project F.

The transactions have been completed on terms and conditions consistent with those announced on 29 June 2016. At that time, TIG signed two binding Heads of Agreement (HOAs) with its joint venture partners - one in relation to the Amaam North Project, and the other in relation to the Amaam Project.

The key terms and conditions of the transaction are as follows:

- TIG acquired 20% of the Amaam North Project (including Project F) from its joint venture partners and therefore now owns 100% of Amaam North Project.
- TIG's joint venture partners will receive consideration for the Amaam North Project of up to US\$25 million, to be paid within 20 years in annual payments calculated as a percentage of gross sales revenue from coal sales from the Amaam North Project, on the following terms:
  - Subject to certain rights of TIG to defer payment of any annual payment, annual payments are 1.5% of gross sales revenues for the first five years, 2.25% of gross sales revenues for the three years following, and 3% of gross sales revenues thereafter.
  - Under certain circumstances, TIG may elect to pay up to 50% of the amount due for any year in kind by issue of TIG shares.
  - Irrespective of the amount paid, annual payments will cease after 2037.
- The Shareholders Agreement for the Amaam Project has been amended to simplify the processes governing the decision to develop and mine coal at the Amaam Project and streamline corporate reporting and board processes, work program approval and other management processes.

The total consideration for the transaction described above is limited to US\$25 million and payable within no more than 20 years. This represents a marked reduction in comparison with 5% of total project gross sales revenues that would be payable under the previous structure.

## Stakeholder Relations

During the quarter, TIG continued its ongoing stakeholder relations program. Meetings were held with the Governor and senior members of the Chukotka administration, the Head of the Municipality for Anadyr, and the Mayor and Administration of Beringovskiy. Our local communities are very interested and involved in the company's progress, particularly as local employment opportunities increase as the project grows.

## Capital Structure (as at 30 June 2017)

Ordinary shares on issue:	1,791,669,870
Options on issue:	24,220,000
Cash: 30 June 2017	A\$5.08M

## For further information, please contact:

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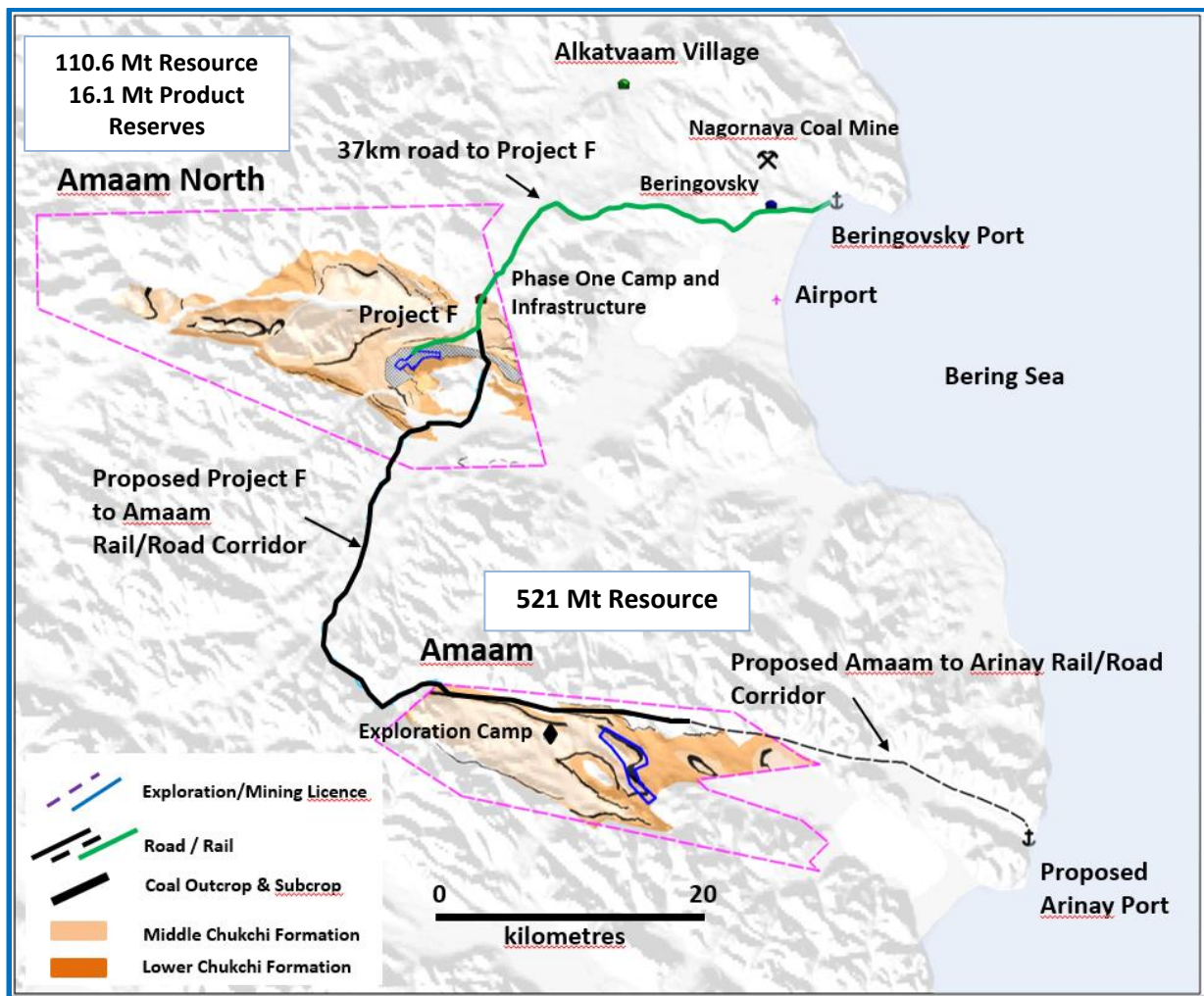
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**PROJECT SUMMARY**

TIG is developing a large scale coking coal basin that covers two areas, Amaam and Amaam North (Figure A), with combined Resources of 632 Mt.

At Amaam, TIG owns an 80% beneficial interest in Exploration Licence No. AND 01277 TP (Zapadny Subsoil Licence) and the Exploration and Extraction (Mining) Licence No. AND 01278 TE.

At Amaam North, TIG owns an 100% beneficial interest in Exploration Licence No. AND01203 TP (Levoberezhny Licence) and the Exploration and Extraction (Mining) Licence, No. AND 15813 TE which covers the initial Project F mine development area.



**Figure A Amaam and Amaam North Coking Coal Projects**



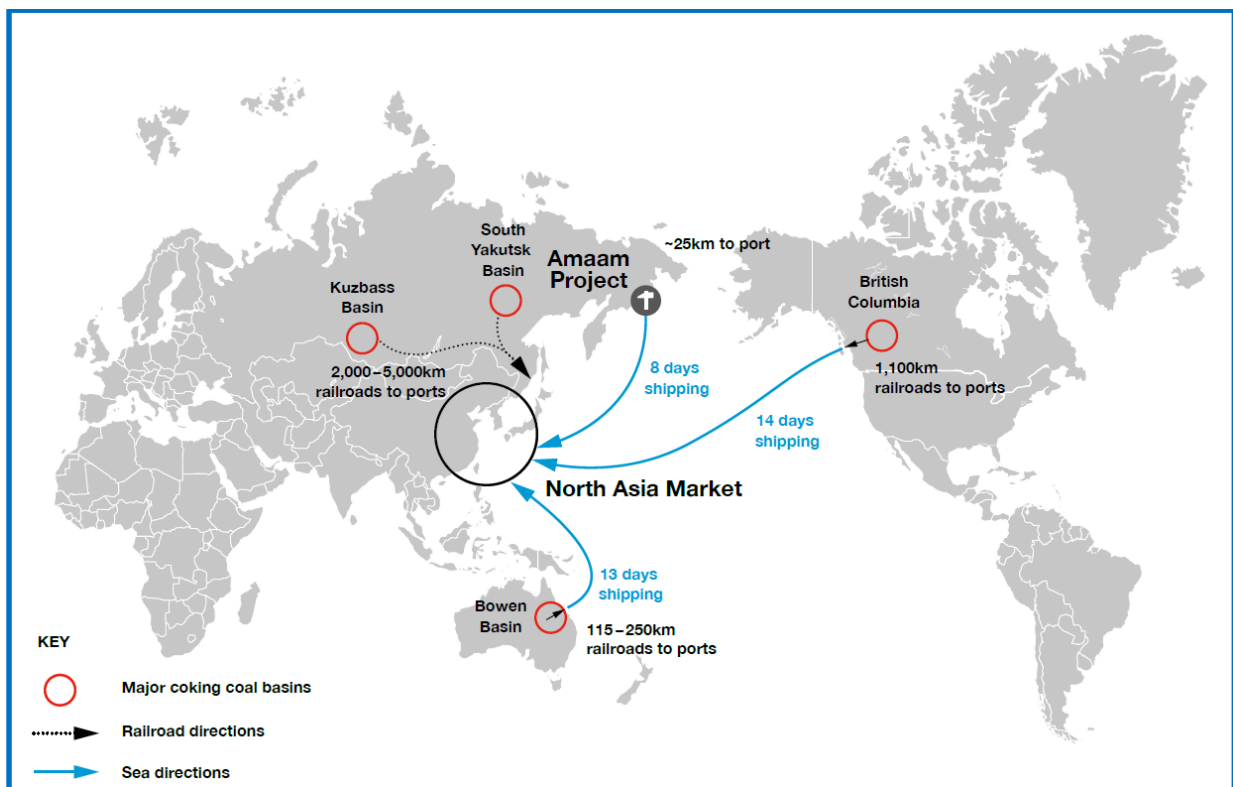
Amaam and Amaam North are two exceptionally well located coking coal deposits, approximately 40km from the Bering sea with shorter shipping distances to North Asian markets than from peer producers in Queensland and British Columbia (Figure B).

**At Project F and Amaam North**

- Project F Phase One is in production
- The Project F 1.0 Mtpa Feasibility Study was completed in April 2016 with:
  - 16.1 Mt of Product Reserves, 6.1 Mt Proven & 10.0 Mt Probable
  - 110.6 Mt total Resource, 22 Mt Measured, 55.7 Mt Indicated & 32.9Mt Inferred
- TIG owns and operates the Beringovsky coal port,
- There is excellent upside exploration potential and production expansion

**At Amaam:**

- A PFS completed on 5Mtpa open pit operation producing a high vitrinite content (>90%) coking coal with excellent coking properties
- The total Resource is 521 Mt comprising 3.1 Mt Measured, 91 Mt Indicated, and 428 Mt Inferred
- The planned wash plant is 25 km from planned year round port site, only 8 days shipping to China, Korea and Japan



**Figure B Amaam Project - Location Map**