



QUARTERLY REPORT DECEMBER 2020 (Q2 FY21)

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER) presents its quarterly production activities report for the 3 months ending 31 December 2020 (**December Quarter**).

Q2 HIGHLIGHTS

- ✓ Positive coal sales continue to be achieved for the financial year to date, despite the ongoing market challenges the Company has achieved an annualised run rate for the 6 months ended December 2020 of 9.23 million tonnes¹.
- ✓ With the expected increased demand from Eskom in 2H FY2021 and the delivery of the South African export strategy, the Company is well positioned to achieve annualised managed coal sales of approximately 9.9 Mt, consistent with FY2020.
- ✓ The Company has executed its export strategy for its South African operations and the first full shipment of thermal coal is planned to sail during the first week of February 2021. This is a significant milestone for the South African operations and the Company looks forward to leveraging this achievement to increase its export coal sales in line with its strategic objectives.
- ✓ The Blair Athol mine has operated as owner operator since transitioning in July 2020 and continues to achieve the projected Free on Board (**FOB**) operating costs forecast of sub AU\$60 per tonne since that time. FOB costs are projected to remain at this level for the remainder of FY2021 and beyond.
- ✓ Continued strong operational performance has been delivered from the Company's Blair Athol mine in Queensland, with achievement of an annualised coal sales run rate for 6 months ended December 2020 of 2.41 million tonnes per annum. Comparatively to the 2020 financial year, this is only a minor 7% reduction in coal sales whilst at the same time the FOB operating cost per tonne has reduced by a margin of more than 15%.
- ✓ Significantly improved export coal pricing relative to the beginning of the financial year, coupled with refined operating costs in Australia and an implemented export strategy in South Africa, provides the platform for the Company to deliver stronger EBITDA results during 2H FY2021.

GROUP COAL SALES FOR THE QUARTER

	MANAGED TONNES			EQUITY TONNES		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	585	-	585	585	-	585
South Africa	286	1,350	1,635	140	646	786
Total	870	1,350	2,220	725	646	1,371

¹ Represents managed tonnes

GROUP COAL SALES YEAR TO DATE

	MANAGED TONNES (YTD FY2021)					FY2020 (Millions)	EQUITY TONNES (YTD FY2021)					FY2020 (Millions)
	Export (000's)	Domestic (000's)	Total (000's)	Annualised (Millions)	Export (000's)		Domestic (000's)	Total (000's)	Annualised (Millions)			
Australia	1,205	-	1,205	2.41	2.59	1,205	-	1,205	2.41	2.59		
South Africa	551	2,865	3,416	6.82	7.38	270	1,568	1,838	3.67	4.03		
Total	1,756	2,865	4,621	9.23	9.97	1,475	1,568	3,043	6.09	6.62		

PRODUCTION AND SALES

MANAGED TONNES (CONTINUING OPERATIONS)

Thousands of tonnes (kt)	Dec 2020	Dec 2019 *	Change %	Dec 2020	Sept 2020	Change %
Managed Tonnes (Continuing Operations)						
ROM Coal Production	3,187	3,483	-8%	3,187	3,617	-12%
Saleable Coal	2,390	2,405	-1%	2,390	2,376	1%
Coal Sales	2,220	2,330	-5%	2,220	2,401	-8%
Inventory (ROM)	513	403	27%	513	772	-34%
Inventory (Saleable)	352	279	26%	352	388	-9%

EQUITY TONNES (CONTINUING OPERATIONS)

Thousands of tonnes (kt)	Dec 2020	Dec 2019 *	Change %	Dec 2020	Sept 2020	Change %
Equity Tonnes (Continuing Operations)						
ROM Coal Production	1,926	2,262	-15%	1,926	2,285	-16%
Saleable Coal	1,559	1,597	-2%	1,559	1,551	0%
Coal Sales	1,371	1,551	-12%	1,371	1,672	-18%
Inventory (ROM)	283	276	3%	283	489	-42%
Inventory (Saleable)	252	229	10%	252	267	-5%

* Comparative periods assume 100% ownership of Universal Coal Plc

OPERATIONS

AUSTRALIA – 100% EQUITY INTEREST

Blair Athol

Thousands of tonnes (kt)	Dec 2020	Dec 2019	Change %	Dec 2020	Sept 2020	Change %
<i>ROM Coal Production</i>	550	772	-29%	550	740	-26%
<i>Saleable Coal</i>	573	627	-9%	573	608	-6%
<i>Coal Sales</i>	585	611	-4%	585	620	-6%
<i>Inventory (ROM)</i>	35	79	-55%	35	178	-80%
<i>Inventory (Saleable)</i>	121	165	-27%	121	136	-11%

The Blair Athol Mine in Queensland has successfully delivered under its fully owner managed operational model, trading on a significantly reduced Free on Board (**FOB**) operating cost base of sub AU\$60 per tonne since transition. This places the Blair Athol mine in the first quartile of seaborne export FOB operating costs per tonne.

The Blair Athol Mine achieved 1.20 million tonnes of coal sales for the 6 months ended December 2020 and therefore operated at an annualised run rate of 2.41 million tonnes per annum.

Compared to the 2020 financial year, the Company has reduced annualised coal sales by only 179,000 tonnes (or 7%), yet at the same time refined the FOB operating costs to be sub AU\$60 per tonne per tonne, resulting in more than a 15% reduction.

Blair Athol has continued to achieve strong sales performance throughout January 2021 with 206,000 tonnes being sold, equivalent to an annualised run rate of 2.48 million tonnes per annum.

SOUTH AFRICA – 49% EQUITY INTEREST

Kangala Complex

Thousands of tonnes (kt)	Dec 2020	Dec 2019 *	Change %	Dec 2020	Sept 2020	Change %
<i>ROM Coal Production</i>	391	750	-48%	391	635	-38%
<i>Saleable Coal</i>	444	461	-4%	444	363	22%
<i>Coal Sales</i>	332	454	-27%	332	431	-23%
<i>Inventory (ROM)</i>	64	176	-64%	64	94	-32%
<i>Inventory (Saleable)</i>	86	37	>100%	86	31	>100%

* Comparative periods assume 100% ownership of Universal Coal Plc

The Kangala colliery is approaching the end of its resource life and is expected to deliver its final product to market in Q3 FY2021. The reduction of ROM production for the quarter is evidence of the slow down as the final mineable resource is depleted from the Kangala lease.

The extension of the Kangala Complex is the development of the Eloff mining lease, which runs contiguously from the existing Kangala lease.

All of the required approvals are in place for the Kangala Complex to expand into the Eloff mining lease. Negotiations are continuing for a domestic off-take agreement which is expected to be concluded in the next 3 months to allow for the commencement of development early in Q4 of FY2021.

New Clydesdale Colliery (NCC)

<i>Thousands of tonnes (kt)</i>	<i>Dec 2020</i>	<i>Dec 2019 *</i>	<i>Change %</i>	<i>Dec 2020</i>	<i>Sept 2020</i>	<i>Change %</i>
<i>ROM Coal Production</i>	1,110	990	12%	1,110	1,101	1%
<i>Saleable Coal</i>	643	680	-6%	643	627	3%
<i>Coal Sales</i>	633	587	8%	633	583	9%
<i>Inventory (ROM)</i>	114	109	5%	114	86	33%
<i>Inventory (Saleable)</i>	56	53	7%	56	73	-23%

* Comparative periods assume 100% ownership of Universal Coal Plc

Sales for the December 2020 quarter at NCC compared to the September 2020 quarter were negatively affected by Eskom demand. Towards the latter part of the quarter, NCC experienced an increase in demand from Eskom with approximately 90% of the anticipated coal being delivered in December 2020.

The reduced domestic demand has been offset with increased export volumes. The colliery achieved solid export results with 15% more 6000Kcal RB1 product being delivered to market during the quarter compared to forecast. This allowed the colliery to capitalise on the significant increase in the API4 coal export pricing during the latter part of the quarter. As part of the export strategy for South Africa, the Company is implementing additional logistic paths to market, which should see increased export volumes in the 2H FY2021.

North Block Complex (NBC)

<i>Thousands of tonnes (kt)</i>	<i>Dec 2020</i>	<i>Dec 2019 *</i>	<i>Change %</i>	<i>Dec 2020</i>	<i>Sept 2020</i>	<i>Change %</i>
<i>ROM Coal Production</i>	720	971	-26%	720	794	-9%
<i>Saleable Coal</i>	470	637	-26%	470	520	-10%
<i>Coal Sales</i>	532	678	-22%	532	550	-3%
<i>Inventory (ROM)</i>	173	39	>100%	173	272	-36%
<i>Inventory (Saleable)</i>	36	24	51%	36	103	-65%

* Comparative periods assume 100% ownership of Universal Coal Plc

Sales at NBC remained consistent with the previous quarter and as announced in December 2020, the Company successfully executed its export strategy with the first full shipment of thermal coal planned to sail during the first week of February 2021. This is a significant milestone for the South African operations and the Company looks forward to leveraging this achievement to increase its export coal sales in line with its strategic objectives.

During the quarter, an additional CHPP circuit was installed which will provide increased throughput going forward. This was an important step for NBC as part of increasing its production output to annualised ROM coal production to be in excess of 4 million tonnes per annum, and thereby increasing the saleable coal and coal sales generated by the mine.

Ubuntu Colliery

Thousands of tonnes (kt)	Dec 2020	Dec 2019 *	Change %	Dec 2020	Sept 2020	Change %
ROM Coal Production	417	-	100%	417	347	20%
Saleable Coal	422	-	100%	422	258	1%
Coal Sales	399	-	100%	399	217	63%
Inventory (ROM)	126	-	100%	126	142	83%
Inventory (Saleable)	53	-	100%	53	44	21%

* Comparative periods assume 100% ownership of Universal Coal Plc – Ubuntu colliery only commenced production in the current financial year.

Ubuntu production has been tailored to meet the Eskom demand for the crush and screen product produced. Ubuntu ended the quarter with a record sales month, delivering 91Kt to Eskom in December 2020, in line with the improved off-take demand. With this improved performance, the Colliery expects to increase production to match this demand.

SAFETY AND COVID-19

TerraCom Group operations promote health and safety as a core value of the business.

The wellbeing of our people is a key driver and the Company is committed to providing a safe working environment, whilst ensuring production targets are achieved.

The Group is managing the many risks that are arising from COVID-19. Risk mitigation strategies implemented including providing for workplaces to allow social distancing, limited non-business critical contractors at each mine, temperature checks on entry into the mine, and increased cleaning and sanitation processes.

As the COVID-19 management practices evolve, the Group is refining its measures to keep our workforce, their families and the communities in which we operate safe. Our focus is maintaining operations, in compliance with the relevant regulations and protocols in the jurisdictions in which we operate.

PROJECTS AND BUSINESS DEVELOPMENT

ACQUISITION OF ANGLO AFRICAN MINERALS PLC

Members of the Company's management team visited the Forward Africa Resources (FAR) Project site in Guinea during October 2020. Work is now being undertaken to finalise due diligence, including developing a full project delivery plan to first ore.

CORPORATE

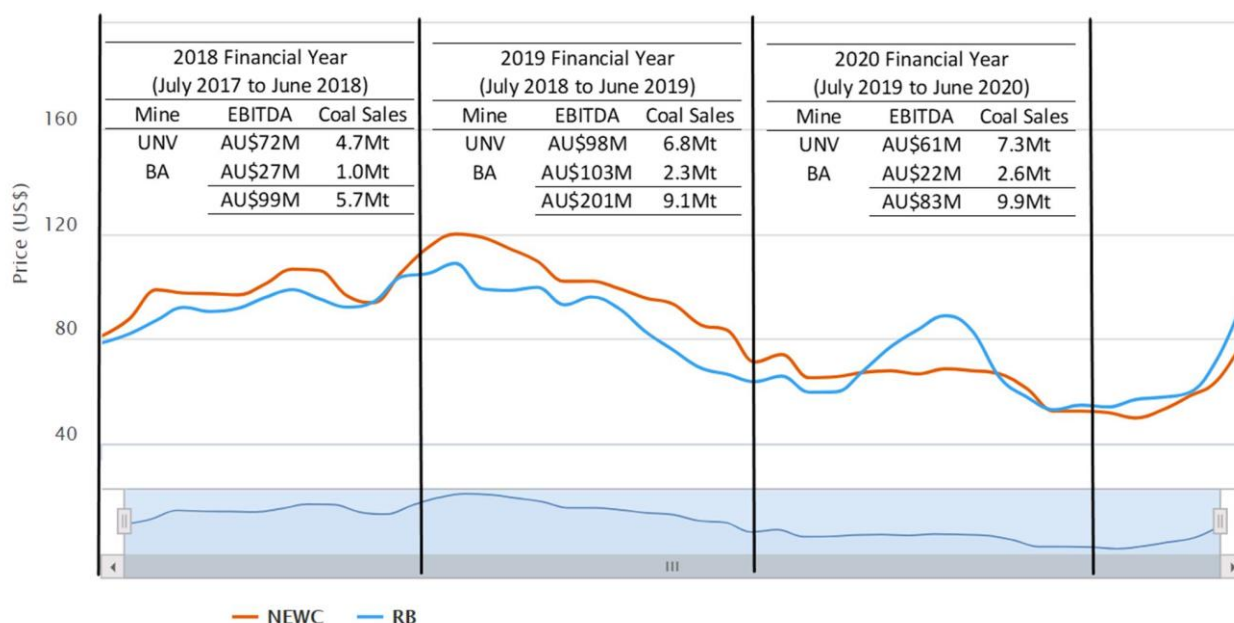
EXPORT COAL PRICE OUTLOOK

Export coal prices (Newcastle index) have risen by 40% since 1 November 2020 and coal shipments from the Company's Australian operation, Blair Athol, have already been secured for the remainder of Q3 FY2021.

With the FOB operating cost base now set and maintained at sub AU\$60 per tonne, at the Company's Blair Athol Mine in Queensland, and the implementation of the South African export strategy, the Company is well positioned to take advantage of the improved export pricing.

The following graph depicts historical year-to-date EBITDA results for the Universal Coal operations (consolidated basis) and the Company's flagship Blair Athol Coal Mine in Queensland, Australia, relevant to coal pricing.

Whilst the pricing throughout the first half of FY2021 has been depressed, the improved pricing will have a direct positive impact to the Company's overall EBITDA results during 2H FY2021, particularly given the recent focus on cost reductions at Blair Athol.



REFINANCE & GROWTH BOND PROGRAM

As announced to the ASX on 11 September 2020, the Company is moving forward with its debt refinance program. Once finalised, the debt refinance ensures that TerraCom can maintain the momentum of its global growth initiatives and further strengthen its balance sheet placing the Company in a stronger financial position by supporting working capital to fund existing projects and planned acquisitions.

In addition to the debt refinance program, the Company also announced to the ASX on 20 October 2020, that it is currently looking at an additional \$50 million - \$70 million growth bond program that will be available to both retail and wholesale investors.

Documents for the growth bond program have been prepared, but the Company has decided to hold the launch until after the release of its 31 December 2020 half-year results. Given this, formal documents will be available to shareholders (and other investors) in due course.

Persons who have already registered their interest for the growth bond program will be notified as soon as any offer document is released by the Company regarding any retail bond, or other offer. Shareholders (or other investors) should note that this announcement does not constitute an offer of securities. Any offer of retail bonds will be made under a prospectus which will be lodged with ASIC and any applications for retail bonds will need to be made under such a prospectus.

The Company expects to make further announcements on the refinance and growth bond throughout the March 2021 quarter.

MINING TENEMENTS HELD AT THE END OF THE QUARTER

Operation / Project	Tenement	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
Kangala	MP30/5/1/2/2/429MR	70.5%	70.5%	South Africa	Coal
	MP30/5/1/1/2/641PR				
	Mining Right application				
	MP30/5/1/1/2/10179MR				
New Clydesdale Colliery (NCC)	MP30/5/1/2/2/429MR	49.0%	49.0%	South Africa	Coal
North Block Complex (NBC)	MP30/5/1/2/1/326MR	49.0%	49.0%	South Africa	Coal
	MP30/5/1/1/2/19MR (10068MR)				
	MP30/5/1/2/2/10090MR				
Ubuntu	MP30/5/1/2/2/10027MR	48.9%	48.9%	South Africa	Coal
Eloff	MP30/5/1/2/2/10169MR	49.0%	49.0%	South Africa	Coal
Berenice	Prospecting Right (PR) LP30/5/1/1/2/376PR	50%	50%	South Africa	Coal
	Mining Right: LP30/5/1/1/2/10131MR – under application				
Cygnus	LP30/5/1/1/2/1276PR	50%	50%	South Africa	Coal
	Mining Right application LP30/5/1/1/2/10169MR				
Blair Athol	ML1804	100%	100%	Australia	Coal
Northern Galilee (Hughenden)	EPC1300, EPC1394, EPC1477, EPC1478, EPC1641, EPC2049	100%	100%	Australia	Coal
Northern Galilee (Pentland)	EPC1890, EPC1892, EPC1893, EPC1962, EPC1964	100%	100%	Australia	Coal
Northern Galilee (Clyde Park)	EPC1260	64.4%	64.4%	Australia	Coal
Springsure (Springsure)	EPC1674, MDL3002	90%	90%	Australia	Coal
Springsure (Fernlee)	EPC1103	100%	100%	Australia	Coal

OTHER

Forward Looking Statement

This document contains summary information about, TerraCom, its subsidiaries, and its activities which are current as at the date of this document. The information in this document is general in nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in TerraCom or that would be required in a prospectus or product disclosure statement prepared in accordance with the *Corporations Act 2001 (Cth)*. Information in this document should therefore be read in conjunction with other announcements made by TerraCom to the ASX.

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This announcement has been authorised by the Company's Disclosure Committee.

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About TerraCom Limited

TerraCom Limited (ASX: TER) is an emerging company originating as a resource explorer with a large portfolio of operating assets in Australia and South Africa. We are currently enacting a growth strategy towards delivering a Mid-Tier diversified operating and trading business and have a global focus on the development of a high yielding diversified asset portfolio for its investors.

To learn more about TerraCom visit terracomresources.com.