



## ASX ANNOUNCEMENT

31 January 2022

### QUARTERLY REPORT – OCTOBER TO DECEMBER 2021

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER), an emerging resources company with a large portfolio of operating assets in Australia and South Africa, presents its quarterly activities report for the 3 months ending 31 December 2021 (**December Quarter**).

Commenting on the result, Executive Chairman Craig Ransley, said:

*“The Company has capitalised on strong market conditions and achieved an exceptional combined operating EBITDA<sup>1</sup> result from the Australian and South African operations for the December Quarter of A\$82.8 million. Debt reduction has been a key focus during the period with free cash flow being used to reduce the Euroclear bond and improve the Company’s balance sheet. Looking forward, the export coal market continues to be supported by strong demand which should maintain pricing at attractive levels.”*

#### Q2 HIGHLIGHTS

- ✓ **Record operating EBITDA<sup>1</sup> of A\$82.8 million for the December Quarter.**
  - Strong export coal prices resulted in an operating (EBITDA) cash margin of A\$118 per sold tonne being achieved for Blair Athol in the December Quarter.
  - The operating EBITDA result for the South African operations was A\$23.5 million<sup>2</sup> resulting in an operating (EBITDA) cash margin of A\$16 per sold tonne, a 41% improvement compared to the September 2021 quarter.
- ✓ **Production and sales remain solid.**
  - Annualised year to date equity coal sales of 5.43 million tonnes per annum.
  - BA is fully sold until mid-May 2022 and remains on track for coal sales in the 2022 financial year of approximately 2.3 million tonnes.
- ✓ **Company continues to deleverage its debt position.**
  - Bond long form documents executed reflecting an extended maturity date of the existing Euroclear Bond to 31 December 2022. There was no change to the commercial terms of the facility.
  - The total principal owing on the Euroclear Bond as at 31 December 2021 was US\$134.9 million. This represents a reduction of US\$32.2 million, equivalent to 19% of the facility balance as at 30 June 2021.

<sup>1</sup> Non IFRS measure. Based on management accounts. The data presented represents 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom’s equity interest in the operating mines ranges from 48.9% to 49.0%. The data presented does not include the TerraCom corporate costs.

<sup>2</sup> 100% of the result from the South African Business Unit and therefore includes other equity holders, noting TerraCom’s equity interest in the operating mines ranges from 48.9% to 49.0%.

## SAFETY AND COVID-19

Safety performance for the quarter improved, with the Total Recordable Injury Frequency Rate decreasing to 2.87, an improvement of 8% quarter on quarter (qoq), the Lost Time Injury Frequency Rate improved slightly to 1.08.

TerraCom amended its detailed COVID-19 Management Plans in compliance with the relevant regulations and protocols in the jurisdictions of its business to manage potential outbreaks to keep our people safe and maintain our operations.

## Q2 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- The operating EBITDA<sup>1</sup> from the Australian and South African Business Units (including other equity holders) for the December Quarter was as follows:

	December 2021 Quarter		September 2021 Quarter	
	Operating EBITDA (AUD \$million)	Operating EBITDA (AUD\$ / Sold Tonne)	Operating EBITDA (AUD \$million)	Operating EBITDA (AUD\$ / Sold Tonne)
Australia	\$59.3	\$118.1	\$36.0	\$64.5
South Africa	\$23.5	\$16.1	\$21.8	\$11.4

- Operating EBITDA for Australia continued to show significant growth compared to the September 2021 quarter with total revenue increasing by A\$53.6 per tonne or 83%.
- During the month of December, the South African operations were negatively affected by extreme rainfall and higher than seasonal averages which impacted both production and logistics. Despite these issues, the combined EBITDA margin for the December Quarter improved by 41% compared to the September 2021 quarter, predominately driven by strong export coal pricing.

## DEBT REDUCTION

- The total redemption value of the Euroclear Bond as at 30 June 2021 was US\$167.1 million. Over the last 6-month period, since 1 July 2021, the Company has repaid a total of US\$44.1 million in interest (including special interest), fees and principal.
- The total principal owing on the Euroclear Bond as at 31 December 2021 was US\$134.9 million. This represents a reduction of US\$32.2 million, equivalent to 19% of the facility balance as at 30 June 2021.

## YEAR TO DATE OPERATIONAL RESULTS

Year to date managed<sup>3</sup> coal sales represent annualised tonnes of 8.9 million tonnes per annum and year to date equity<sup>4</sup> coal sales represent annualised tonnes of 5.4 million tonnes per annum.

	MANAGED TONNES <sup>3</sup>				EQUITY TONNES <sup>4</sup>			
	Export (000's)	Domestic (000's)	Total (000's)	Annualised (Millions)	Export (000's)	Domestic (000's)	Total (000's)	Annualised (Millions)
Australia	1,067	-	1,067	2.13	1,067	-	1,067	2.13
South Africa	667	2,700	3,367	6.73	326	1,322	1,648	3.30
<b>Total</b>	<b>1,734</b>	<b>2,700</b>	<b>4,434</b>	<b>8.86</b>	<b>1,393</b>	<b>1,322</b>	<b>2,715</b>	<b>5.43</b>

## PRODUCTION AND SALES

### MANAGED TONNES<sup>3</sup> (CONTINUING OPERATIONS)

	DECEMBER 2021 QUARTER			SEPTEMBER 2021 QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	502	-	502	565	-	565
South Africa	429	1,030	1,459	238	1,670	1,908
<b>Total</b>	<b>931</b>	<b>1,030</b>	<b>1,961</b>	<b>803</b>	<b>1,670</b>	<b>2,473</b>

### EQUITY TONNES<sup>4</sup> (CONTINUING OPERATIONS)

	DECEMBER 2021 QUARTER			SEPTEMBER 2021 QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	502	-	502	565	-	565
South Africa	210	504	714	116	818	934
<b>Total</b>	<b>712</b>	<b>504</b>	<b>1,216</b>	<b>681</b>	<b>818</b>	<b>1,499</b>

<sup>3</sup> The data represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49.0%.

<sup>4</sup> The data represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.

## OPERATIONS

### AUSTRALIA BUSINESS UNIT

#### Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2021	Dec 2020	Change %	Dec 2021	Sept 2021	Change %
<i>ROM Coal Production</i>	602	550	10%	602	672	(10%)
<i>Saleable Coal</i>	524	573	(9%)	524	528	(1%)
<i>Coal Sales</i>	502	585	(14%)	502	565	(11%)
<i>Inventory (ROM)</i>	12	35	(65%)	12	52	(76%)
<i>Inventory (Saleable)</i>	92	121	(24%)	92	79	16%

Coal sales for the December 2021 Quarter totalled 502,000 tonnes with a reported revenue of A\$219 per tonne, a result 4% higher than the forecast revenue of A\$210 per tonne for the period.

A third shipment was planned for the month of December 2021 but due to poor weather conditions experienced at the port throughout the Christmas to New Year period, berthing was delayed, and the shipment subsequently sailed on 5 January 2022. All coal for this shipment was at the port and ready to be loaded as at 31 December 2021.

If the third shipment departed as scheduled, the Company would have recorded total coal sales of 581,000 tonnes for the December Quarter, which would have represented an annualised coal sales run rate for the 6 months ended 31 December 2021 of 2.3 million tonnes per annum.

Blair Athol remains on track for coal sales in the 2022 Financial Year of approximately 2.3 million tonnes.

#### Australian Financial Performance – Year to Date

<i>Financial Performance Summary<sup>5</sup></i>	<i>July to Dec 2021 A\$'million Total</i>	<i>July to Dec 2021 A\$ per Sold Tonne</i>
<i>Revenue</i>	189.6	177.7
<i>Costs</i>	(94.3)	(88.4)
<i>Operating EBITDA</i>	95.3	89.3

<sup>5</sup> Non IFRS measure. Based on management accounts. The data presented does not include the results from the South African Business unit or TerraCom corporate costs.

The exceptional seaborne coal pricing has resulted in BA delivering a strong operating EBITDA result of \$95.3 million for the 6 months to December 2021.

The costs per tonne have been impacted by revenue linked costs, including government royalties. The royalty per tonne in the 6 months ending 31 December 2021 was A\$16.0 per tonne, which represents an increase of A\$11.8 per tonne or 281% compared to FY2021.

### **SOUTH AFRICA BUSINESS UNIT**

Total managed coal sales from the South African business unit decreased by 449kt or 23% compared to September 2021 quarter. One of the contributing factors was due to high seasonal rainfall during the month of December 2021 which impacted both production and logistics during the period. Notwithstanding this, contracted domestic offtake quantities have been delivered year to date to Eskom on a combined basis.

### **New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST**

<i>Thousands of tonnes (kt)</i>	<i>Dec 2021</i>	<i>Dec 2020</i>	<i>Change %</i>	<i>Dec 2021</i>	<i>Sept 2021</i>	<i>Change %</i>
<i>ROM Coal Production</i>	1,034	1,110	(7%)	1,034	1,122	(8%)
<i>Saleable Coal</i>	628	643	(2%)	628	748	(16%)
<i>Coal Sales</i>	575	633	(9%)	575	701	(18%)
<i>Inventory (ROM)</i>	102	114	(10%)	102	70	46%
<i>Inventory (Saleable)</i>	71	56	26%	71	66	7%

NCC performed well throughout the December Quarter. Operational plant yield continued to be a focus for the site, resulting in an overall yield of 62.7% for the December Quarter, driven by the greater proportion of export sales compared to the prior corresponding period.

The colliery achieved total coal sales during the December Quarter of 575kt, comprised of 343kt domestic sales and 232kt export sales. Total coal sales and ROM coal production were lower than the September 2021 quarter (down 18% and 8% respectively) and this was predominately because of reduced domestic sales into Eskom during the month of December 2021 due to seasonal rainfall activity and slow truck movements into the Eskom power station.

The export volumes achieved at NCC were excellent throughout the December Quarter with the site improving its export deliveries by 30% compared to the September 2021 quarter. Strong export coal pricing meant that export sales revenue



accounted for approximately 75% of the total revenue received by the colliery during the reporting period.

### North Block Complex (NBC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2021	Dec 2020	Change %	Dec 2021	Sept 2021	Change %
<i>ROM Coal Production</i>	971	720	35%	971	1,154	(16%)
<i>Saleable Coal</i>	652	470	39%	652	919	(29%)
<i>Coal Sales</i>	692	532	30%	692	871	(21%)
<i>Inventory (ROM)</i>	48	173	(73%)	48	18	164%
<i>Inventory (Saleable)</i>	187	36	420%	187	212	(12%)

Similar to NCC, the NBC operation delivered lower coal sales and ROM coal production in the December Quarter compared to the September 2021 quarter (down 21% and 16% respectively).

NBC has continued to cement itself as a consistent supplier of high-quality export coal to market, and the colliery delivered 180kt during the December Quarter, a more than 100% improvement from the export coal sales of 45kt achieved during the September 2021 quarter.

### Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2021	Dec 2020	Change %	Dec 2021	Sept 2021	Change %
<i>ROM Coal Production</i>	334	417	(20%)	334	366	(9%)
<i>Saleable Coal</i>	174	422	(59%)	174	291	(40%)
<i>Coal Sales</i>	191	399	(52%)	191	338	(43%)
<i>Inventory (ROM)</i>	194	126	54%	194	150	29%
<i>Inventory (Saleable)</i>	21	53	(61%)	21	38	(45%)

The Ubuntu colliery had a very poor month in December 2021, which negatively impacted the December Quarter results.

Ubuntu did not achieve off take quantities in December 2021 due to a number of factors including excessive rain and supply constraints imposed by the Eskom power station. Ubuntu is forecasted to deliver its offtake volume in the March 2022 quarter.

## South Africa Financial Performance

<i>Financial Performance Summary<sup>6</sup></i>	<i>July to Dec 2021 A\$million Total</i>	<i>July to Dec 2021 A\$ per Sold Tonne</i>
<b>Revenue</b>	204.5	60.7
<b>Costs (including inventory movement)</b>	(159.2)	(47.3)
<b>Operating EBITDA</b>	45.3	13.5

Operating EBITDA for the SA operations for the 6 months to 31 December 2021 was A\$45.3 million or A\$13.5 per tonne.

Year to date, contracted domestic offtake quantities have been delivered to Eskom on a combined basis.

## COAL SALES OUTLOOK

### Australia

During December 2021, the Company finalised a sale of four (4) cargoes in the period March to June 2022 with its main Japanese offtake partner. The total tonnes to be delivered by BA under this agreement is approximately 320,000 metric tonnes<sup>7</sup>, with the global COAL Newcastle Index used as the basis for an agreed pricing formula.

The main markets Blair Athol sells coal to are:

- I. Japan and South Korean energy markets, and
- II. Indian sponge iron market – being the process of direct reduction of iron ore into iron by an elemental carbon produced from thermal coal.

Blair Athol coal is fully sold until mid-May 2022 and forecast coal sales for the March 2022 quarter total 593,000 tonnes, representing an annualised run rate of 2.37 million tonnes per annum.

### South Africa

**Export Sales:** Notwithstanding the continued export supply chain constraints, the Company continues to manage its plans to increase its SA export sales from both NBC and NCC. These plans include hauling coal by truck to the port, which given current strong seaborne pricing, these plans are expected to favourably contribute to the overall EBITDA position.

Similar to BA, the export coal produced in SA is sold to both energy markets and non-energy markets (e.g. sponge iron). This provides significant flexibility when marketing

<sup>6</sup> Non IFRS measure. Based on management accounts and includes 100% of the result from the South African operations and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines ranges from 48.9% to 49.0%.

<sup>7</sup> The final tonnage to be delivered for each cargo is subject to vessel intake capacity.



the product and should allow the Company to capitalise on numerous opportunities as the export strategy continues to evolve.

**Domestic Sales:** Demand levels for Eskom have stabilised and the Company is forecasting that all South African operations should deliver according to contracted quantities for the remainder of the financial year ending 30 June 2022.



## MINING TENEMENTS HELD AT THE END OF THE QUARTER

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

\* MDL3002 was renewed by the Department of Natural Resources, Mines and Energy on 24 December 2021.



This announcement has been approved by the Board for release.

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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 global focus on the development of a high yielding diversified asset portfolio for its investors. To learn more about TerraCom visit [terracomresources.com](http://terracomresources.com).*

#### **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.

All numbers presented with a \$ or A\$ represent the Company's presentation currency, being Australian dollars.

Operating EBITDA results reported, unless stated, represent 100% of the result from the South Africa Business Unit and therefore includes other equity holders. TerraCom's equity interest in the operating mines ranges from 48.9% to 49.0%. The operating EBITDA data presented does not include the TerraCom corporate costs.

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