



ASX ANNOUNCEMENT

26 April 2022

QUARTERLY REPORT – JANUARY TO MARCH 2022

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 March 2022 (**March Quarter**).

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

“The combined operating EBITDA¹ result for the March Quarter of \$123 million from the Australian and South African operations is an all-time high for the Company. The result was supported by record export coal prices and solid operational performance across the Group.”

Q3 HIGHLIGHTS

- ✓ **Record operating EBITDA¹ of A\$123 million for the March Quarter.**
 - Blair Athol achieved an operating EBITDA of A\$84.7 million as export coal prices soared during the March Quarter resulting in an operating (EBITDA) cash margin of A\$138 per sold tonne.
 - The South African operations achieved an operating EBITDA of A\$38.5 million² resulting in an operating (EBITDA) cash margin of A\$22.3 per sold tonne.
- ✓ **Production and sales remain solid.**
 - Annualised year to date equity coal sales of 5.6 million tonnes per annum.
 - BA is fully sold until end July 2022 and remains on track for coal sales in the 2022 financial year of approximately 2.3 million tonnes. A strong final quarter is expected from both an operational and financial perspective.
- ✓ **Euroclear Bond forecast to be fully repaid in April 2022.**
 - The total principal owing on the Euroclear Bond as at the date of this report is US\$53.5 million.
 - US\$86 million paid to bondholders during the March Quarter and up to the date of this report in interest (including special interest), fees and principal. The repayments include an initial US\$20 million received as part of the US\$60 million Prepayment Facility announced to the market on 28 February 2022.
 - Upon receipt of the US\$40 million from the Prepayment Facility, the Euroclear Bond will be fully repaid.

¹ 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.

² 100% 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 2.71, an improvement of 6% quarter on quarter (qoq), the Lost Time Injury Frequency Rate increased slightly from 1.1 to 1.2.

TerraCom continued to adjust its COVID-19 Management Plans as regulations changed and restrictions are lifted. Our goal is to manage potential outbreaks to keep our people safe and maintain our operations.

Q3 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- The operating EBITDA¹ from the Australian and South African Business Units (including other equity holders) for the March Quarter and prior comparative period was as follows:

| | Operating EBITDA (AUD \$million) | | Operating EBITDA (AUD\$ / Sold Tonne) | |
|--------------|-------------------------------------|--------------------------|--|--------------------------|
| | March 2022 Quarter | December 2021 Quarter | March 2022 Quarter | December 2021 Quarter |
| Australia | \$84.7 | \$59.3 | \$138.4 | \$64.5 |
| South Africa | \$38.5 | \$23.5 | \$22.3 | \$11.4 |

- Operating EBITDA for Australia continued to show significant growth compared to the December 2021 quarter increasing by A\$73.9 per tonne (more than 100%). The result is reflective of strong export coal prices continuing to be achieved and an ongoing focus on operational cost management.
- The South African operations performed well during the March despite the excessive rainfall and supply chain issues which negatively impacted the results in the December 2021 quarter.

DEBT REDUCTION

- Since 1 January 2022 the Company has repaid a total of US\$86 million in interest (including special interest), fees and principal. The repayments include an initial US\$20 million received as part of the US\$60 million Prepayment Facility announced to the market on 28 February 2022.
- The total principal owing on the Euroclear Bond as the date of this report is US\$53.5 million.
- The Company is forecasting to repay a further US\$15 million to bondholders from operating cash flow in April 2022 and also working with its long-standing customer to finalise and receipt the remaining US\$40 million under the Prepayment Facility.
- Upon receipt of the US\$40 million from the Prepayment Facility, the Euroclear Bond facility will be fully repaid.

YEAR TO DATE OPERATIONAL RESULTS

Year to date managed³ coal sales represent annualised tonnes of 9 million tonnes per annum and year to date equity⁴ coal sales represent annualised tonnes of 5.6 million tonnes per annum.

| | MANAGED TONNES ³ | | | | EQUITY TONNES ⁴ | | | |
|--------------|-----------------------------|---------------------|------------------|--------------------------|----------------------------|---------------------|------------------|--------------------------|
| | Export (000's) | Domestic (000's) | Total (000's) | Annualised (Millions) | Export (000's) | Domestic (000's) | Total (000's) | Annualised (Millions) |
| Australia | 1,679 | - | 1,679 | 2.24 | 1,679 | - | 1,679 | 2.24 |
| South Africa | 1,124 | 3,966 | 5,090 | 6.79 | 551 | 1,943 | 2,494 | 3.33 |
| Total | 2,803 | 3,966 | 6,769 | 9.03 | 2,230 | 1,943 | 4,173 | 5.56 |

PRODUCTION AND SALES

MANAGED TONNES³ (CONTINUING OPERATIONS)

| | MARCH 2022 QUARTER | | | DECEMBER 2021 QUARTER | | |
|--------------|--------------------|---------------------|------------------|-----------------------|---------------------|------------------|
| | Export (000's) | Domestic (000's) | Total (000's) | Export (000's) | Domestic (000's) | Total (000's) |
| Australia | 612 | - | 612 | 502 | - | 502 |
| South Africa | 457 | 1,266 | 1,723 | 429 | 1,030 | 1,459 |
| Total | 1,069 | 1,266 | 2,335 | 931 | 1,030 | 1,961 |

EQUITY TONNES⁴ (CONTINUING OPERATIONS)

| | MARCH 2022 QUARTER | | | DECEMBER 2021 QUARTER | | |
|--------------|--------------------|---------------------|------------------|-----------------------|---------------------|------------------|
| | Export (000's) | Domestic (000's) | Total (000's) | Export (000's) | Domestic (000's) | Total (000's) |
| Australia | 612 | - | 612 | 502 | - | 502 |
| South Africa | 224 | 620 | 844 | 210 | 504 | 714 |
| Total | 836 | 620 | 1,456 | 712 | 504 | 1,216 |

³ 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%.

⁴ 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) | March 2022 | March 2021 | Change % | March 2022 | Dec 2021 | Change % |
|-----------------------------|------------|------------|----------|------------|----------|----------|
| <i>ROM Coal Production</i> | 790 | 645 | 22% | 790 | 602 | 31% |
| <i>Saleable Coal</i> | 639 | 514 | 24% | 639 | 524 | 22% |
| <i>Coal Sales</i> | 612 | 532 | 15% | 612 | 502 | 22% |
| <i>Inventory (ROM)</i> | 86 | 42 | >100% | 86 | 12 | >100% |
| <i>Inventory (Saleable)</i> | 60 | 99 | (39%) | 60 | 92 | (35%) |

Coal sales for the March Quarter totalled 612,000 tonnes with a reported revenue of A\$223 per tonne.

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 Summary⁵</i> | <i>July to March 2022 A\$'million Total</i> | <i>July to March 2022 A\$ per Sold Tonne</i> |
|--|---|--|
| <i>Revenue</i> | 325.9 | 194.1 |
| <i>Costs</i> | (145.9) | (86.9) |
| <i>Operating EBITDA</i> | 180.0 | 107.2 |

The exceptional seaborne coal pricing resulted in BA delivering a strong operating EBITDA result of \$180 million for the 9 months to 31 March 2022 with the March Quarter result contributing 47% of the year-to-date result.

Management has been focused on maintaining costs to an acceptable level, but costs have been impacted by revenue linked costs, including government royalties. The royalty per tonne in the 9 months ending 31 March 2022 was A\$18.4 per tonne, which represents an increase of A\$14.2 per tonne compared to FY2021.

⁵ 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.

SOUTH AFRICA BUSINESS UNIT

Total managed coal sales from the South African business unit increased by 264kt or 18% compared to the December 2021 quarter. The result was pleasing and more in line with year to date run rate levels.

New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

| Thousands of tonnes (kt) | March 2022 | March 2021 | Change % | March 2022 | Dec 2021 | Change % |
|-----------------------------|------------|------------|----------|------------|----------|----------|
| <i>ROM Coal Production</i> | 915 | 1,019 | (10%) | 915 | 1,034 | (12%) |
| <i>Saleable Coal</i> | 606 | 619 | (2%) | 606 | 628 | (4%) |
| <i>Coal Sales</i> | 583 | 577 | 1% | 583 | 574 | 1% |
| <i>Inventory (ROM)</i> | 104 | 80 | 30% | 104 | 102 | 2% |
| <i>Inventory (Saleable)</i> | 82 | 50 | 65% | 82 | 71 | 16% |

NCC performed well throughout the March Quarter. Operational plant yield continued to be a focus for the site, resulting in an overall yield of 68.2% for the March Quarter, driven by the greater proportion of export sales compared to the prior corresponding period.

The colliery achieved total coal sales during the March Quarter of 583kt, comprised of 354kt domestic sales and 229kt export sales. Total coal sales were consistent with the December 2021 quarter.

North Block Complex (NBC) – 49% EQUITY INTEREST

| Thousands of tonnes (kt) | March 2022 | March 2021 | Change % | March 2022 | Dec 2021 | Change % |
|-----------------------------|------------|------------|----------|------------|----------|----------|
| <i>ROM Coal Production</i> | 995 | 1038 | (4%) | 995 | 971 | 2% |
| <i>Saleable Coal</i> | 623 | 691 | (10%) | 623 | 652 | (4%) |
| <i>Coal Sales</i> | 786 | 677 | 16% | 786 | 692 | 14% |
| <i>Inventory (ROM)</i> | 113 | 119 | (5%) | 113 | 48 | >100% |
| <i>Inventory (Saleable)</i> | 31 | 151 | (80%) | 31 | 187 | (84%) |

NBC had a strong March Quarter, delivering improved coal sales and ROM coal production compared to the December 2021 quarter (up 14% and 2% respectively).

Export coal sales from NBC continue to increase and the colliery delivered 228kt during the March Quarter, an increase of 48kt or 27% compared to export coal sales achieved in the December 2021 quarter. However, as previously advised, current train constraints mean that NBC is using alternate supply chain methods (trucking) as its path to market.

Ubuntu Colliery – 48.9% EQUITY INTEREST

| Thousands of tonnes (kt) | March 2022 | March 2021 | Change % | March 2022 | Dec 2021 | Change % |
|-----------------------------|------------|------------|----------|------------|----------|----------|
| <i>ROM Coal Production</i> | 269 | 325 | (17%) | 269 | 334 | (19%) |
| <i>Saleable Coal</i> | 253 | 385 | (34%) | 253 | 174 | 46% |
| <i>Coal Sales</i> | 354 | 284 | 25% | 354 | 191 | 85% |
| <i>Inventory (ROM)</i> | 125 | 52 | 140% | 125 | 194 | (36%) |
| <i>Inventory (Saleable)</i> | 40 | 54 | (25%) | 40 | 21 | 94% |

The improved result achieved in the March Quarter for Ubuntu was in line with expectations of increased production. Compared to the December 2021 quarter, the colliery recorded improved coal sales of 163kt or 85%.

South Africa Financial Performance

| <i>Financial Performance Summary</i> ⁶ | <i>July to March 2022 A\$million Total</i> | <i>July to March 2022 A\$ per Sold Tonne</i> |
|---|--|--|
| <i>Revenue</i> | 330.9 | 65.0 |
| <i>Costs (including inventory movement)</i> | (246.5) | (48.4) |
| <i>Operating EBITDA</i> | 84.3 | 16.6 |

Operating EBITDA for the South African operations for the 9 months to 31 March 2022 was A\$84.3 million or A\$16.6 per tonne.

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

⁶ 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%.



CORPORATE

Board and Management Changes

The following board and management changes occurred during the March Quarter:

- In January 2022 the Company welcomed Non-Executive Directors Graeme Campbell and Mark Lochtenberg to the Board.
- Megan Etccl was appointed Chief Financial Officer after holding the position of Interim Chief Financial Officer since October 2021.

COAL SALES OUTLOOK

Australia

Blair Athol coal is fully sold until end July 2022.

For the June 2022 quarter, BA is forecast to deliver eight (8) cargoes equating to approximately 650,000 tonnes⁷. Of these cargoes, six (6) are currently index linked⁸, and two (2) are contracted at a fixed price of US\$300 per tonne 5500 NAR basis.

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.

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 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 the South African operations should deliver cumulative contracted quantities for the remainder of the financial year ending 30 June 2022.

⁷ Subject to shipping nomination tonnage.

⁸ Newcastle Index or API4 Index. BA may convert any number of these cargoes into fixed price cargoes.

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 MP30/5/1/1/2/641PR Mining Right application MP30/5/1/1/2/10179MR | 70.5% | 70.5% | South Africa | Coal |
| 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 MP30/5/1/1/2/19MR (10068MR) MP30/5/1/2/2/10090MR | 49.0% | 49.0% | South Africa | Coal |
| 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 Mining Right: LP30/5/1/1/2/10131MR – underapplication | 50% | 50% | South Africa | Coal |
| Cygnus | LP30/5/1/1/2/1276PR Mining Right application LP30/5/1/1/2/10169MR | 50% | 50% | South Africa | Coal |
| 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 |



This announcement has been approved by the Board for release.

Craig Ransley
Executive Chairman
P +61 7 4983 2038
E info@terracomresources.com

Danny McCarthy
Managing Director
P +61 7 4983 2038
E info@terracomresources.com

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.

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.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information contained in this document (or any associated presentation, information or matters). To the maximum extent permitted by law, TerraCom and its related bodies corporate and affiliates, and their respective directors, officers, employees, agents and advisers, disclaim any liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this document or its contents, including any error or omission from, or otherwise in connection with, it.

Certain statements in or in connection with this document contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to capital cost, capacity, future production and grades, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as "anticipate", "believe", "expect", "project",



"forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will". By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside TerraCom's control. Accordingly, results, events or outcomes could differ materially from the results, events or outcomes expressed in or implied by the forward- looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, TerraCom undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Nothing in this document constitutes investment, legal or other advice. You must not act on the basis of any matter contained in this document but must make your own independent investigation and assessment of TerraCom and obtain any professional advice you require before making any investment decision based on your investment objectives and financial circumstances. An investment in TerraCom shares is subject to known and unknown risks, some of which are beyond the control of TerraCom. Investors should have careful regard to the risk factors outlined in this document.

This document does not constitute an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any security in any jurisdiction.