



## ASX ANNOUNCEMENT

25 July 2022

### JUNE QUARTERLY REPORT – Q4 FY2022

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 three (3) months ending 30 June 2022 (**June Quarter**).

#### HIGHLIGHTS

- Record operating **EBITDA<sup>1</sup> of \$224 million** for the June Quarter.
  - Blair Athol achieved an operating **EBITDA<sup>2</sup> of \$174 million** as export coal prices remained high during the June Quarter resulting in an operating **cash margin of \$278 per sold tonne**.
  - The South African operations achieved an operating **EBITDA<sup>3</sup> of \$50 million** resulting in an operating **cash margin of \$32 per sold tonne**.
- Record average coal price of **\$403 per sold tonne** achieved at Blair Athol for the June Quarter and **\$250 per sold tonne** achieved for FY2022.
- FY2022 **managed coal sales<sup>5</sup>** of 9.0Mt.
- Record full year operating **EBITDA<sup>1</sup> of \$488 million**, of which 45% was achieved in the June Quarter in line with forecast.
- Strong demand continues from the Japanese and South Korean energy markets and Indian sponge iron market.
- Full repayment of the Euroclear Bond** and all remaining debt within TerraCom Limited and the Australian Business Unit occurred during the June Quarter.
- Closing cash at bank of **\$86 million<sup>4</sup>** as at 30 June 2022.
- The Company remains on track to **declare a dividend** for the period ending 30 June 2022, estimated to be paid during September 2022. As previously announced, the dividend is forecast to be an initial unfranked dividend of **10 cents per share**.

#### Comments from Managing Director, Danny McCarthy

"TerraCom achieved an outstanding result for the June Quarter with a combined operating EBITDA<sup>1</sup> result of \$224 million from the Australian and South African operations.

The June Quarter combined operating EBITDA surpasses the previous quarter by 250% and sets a new all-time record for the Company underpinned by solid operational performance across the Group and the continuation of exceptional export coal prices and demand.

Following the repayment of the Euroclear Bond, the Company's balance sheet is in great shape and our forecast cash flows look very strong.

The Board looks forward to being able to recommence dividends to shareholders as previously announced."

#### SAFETY

Group safety performance for the quarter improved, with the total recordable injury frequency rate (TRIFR) decreasing to 2.22, an improvement of 18% quarter on quarter (**qoq**). The lost time injury frequency rate (LTIFR) also decreased from 1.23 to 0.86, an improvement of 30% qoq. For the full year ending 30 June 2022, TRIFR and LTIFR improved 26% and 19% respectively.



## COVID-19

TerraCom continued with proactive COVID-19 Management Plans with little impact to its operations resulting. Our goal, as regulations and restrictions continue to evolve, is to keep our people safe whilst delivering on our operational requirements.

## YEAR TO DATE OPERATIONAL RESULTS

Full year managed coal sales were 9.0 million tonnes and full year equity coal sales were 5.6 million tonnes. This result was consistent with forecast.

	MANAGED TONNES <sup>5</sup>			EQUITY TONNES <sup>6</sup>		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	2,303	-	<b>2,303</b>	2,303	-	<b>2,303</b>
South Africa	1,507	5,150	<b>6,657</b>	739	2,524	<b>3,263</b>
<b>Total</b>	<b>3,810</b>	<b>5,150</b>	<b>8,960</b>	<b>3,042</b>	<b>2,524</b>	<b>5,566</b>

## PRODUCTION AND SALES RESULTS

### MANAGED TONNES<sup>5</sup> (CONTINUING OPERATIONS)

	JUNE QUARTER			MARCH QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	624	-	<b>624</b>	612	-	<b>612</b>
South Africa	383	1,184	<b>1,567</b>	457	1,266	<b>1,723</b>
<b>Total</b>	<b>1,007</b>	<b>1,184</b>	<b>2,191</b>	<b>1,069</b>	<b>1,266</b>	<b>2,335</b>

### EQUITY TONNES<sup>6</sup> (CONTINUING OPERATIONS)

	JUNE QUARTER			MARCH QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	624	-	<b>624</b>	612	-	<b>612</b>
South Africa	188	581	<b>769</b>	224	620	<b>844</b>
<b>Total</b>	<b>812</b>	<b>581</b>	<b>1,393</b>	<b>836</b>	<b>620</b>	<b>1,456</b>

## Q4 FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

	Operating EBITDA <sup>1</sup> (AUD \$million)		Operating EBITDA <sup>1</sup> (AUD\$ / Sold Tonne)	
	June 2022 Quarter	March 2022 Quarter	June 2022 Quarter	March 2022 Quarter
Australia	\$173.6	\$84.7	\$278.2	\$138.4
South Africa	\$50.1	\$38.5	\$32.0	\$22.3
<b>Group</b>	<b>\$223.7</b>	<b>\$123.2</b>		

Operating EBITDA<sup>2</sup> for Australia continued to show significant growth compared to the March 2022 Quarter (**March Quarter**) increasing by \$89 million (more than 100%). The result reflects the continued strong export coal prices being achieved, the consistent production performance and relentless focus on disciplined operational cost management during a time when cost pressures are pertinent in the industry.

The South African operations performed well during the June Quarter despite the well-known supply chain issues which are being well managed.

## OPERATIONS

### AUSTRALIA BUSINESS UNIT

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

Thousands of tonnes (kt)	June 2022 QTR	June 2021 QTR	Change %	June 2022 QTR	March 2022 QTR	Change %
<b>ROM Coal Production</b>	716	619	<b>16%</b>	716	790	<b>(9%)</b>
<b>Saleable Coal</b>	594	534	<b>11%</b>	594	639	<b>(7%)</b>
<b>Coal Sales</b>	624	510	<b>22%</b>	624	612	<b>2%</b>
<b>Inventory (ROM)</b>	56	19	<b>195%</b>	56	86	<b>(35%)</b>
<b>Inventory (Saleable)</b>	31	123	<b>(75%)</b>	31	60	<b>(48%)</b>

Coal sales for the June Quarter totalled 624kt tonnes with a reported revenue of A\$402.9 per tonne. Despite usually high unseasonal rainfall in the June Quarter, Blair Athol achieved forecast coal sales to deliver a run rate of approximately 2.5 million tonnes per annum.

Blair Athol achieved coal sales for the 2022 Financial Year of 2.3Mt, consistent with previous market guidance<sup>7</sup>.

## Australian Financial Performance

Financial Performance Summary <sup>8</sup>	July 2021 to June 2022 A\$'million Total	July 2021 to June 2022 A\$ per Sold Tonne
<b>Revenue</b>	576.4	250.5
<b>Costs</b>	(222.8)	(96.8)
<b>Operating EBITDA<sup>2</sup></b>	<b>353.6</b>	<b>153.7</b>

The exceptional seaborne coal pricing resulted in BA delivering a strong operating EBITDA<sup>2</sup> result of \$353.6 million for the 12 months to 30 June 2022 with the June Quarter result contributing 49% of the full financial year result.

Management remains steadfast on their focus on operational cost containment to an acceptable level at the mine site, despite FOB costs being impacted by revenue linked costs (including government royalties), diesel and current inflation pressures being experienced by the mining industry. The royalty per tonne in the 12 months ending 30 June 2022 was \$26.4 per tonne, which on a full year basis represents an increase of approximately \$22 per tonne compared to FY2021.

## SOUTH AFRICA BUSINESS UNIT

Total ROM coal production achieved by the South African operations during the June Quarter was 22% higher than what was achieved in the March Quarter. Even though managed coal sales<sup>5</sup> decreased by 156kt or 9% compared to the March 2022 quarter, the result was in line with year to date run rate levels.

On a full year basis, 96% of contracted domestic offtake quantities were delivered to Eskom on a combined basis.

Thousands of tonnes (kt)	June 2022 QTR	June 2021 QTR	Change %	June 2022 QTR	March 2022 QTR	Change %
<b>ROM Coal Production</b>	2,653	2,655	<b>0%</b>	2,653	2,179	<b>22%</b>
<b>Saleable Coal</b>	1,647	1,701	<b>(3%)</b>	1,647	1,482	<b>11%</b>
<b>Coal Sales</b>	1,568	1,962	<b>(20%)</b>	1,568	1,723	<b>(9%)</b>
<b>Inventory (ROM)</b>	427	258	<b>66%</b>	427	342	<b>25%</b>
<b>Inventory (Saleable)</b>	278	259	<b>7%</b>	278	153	<b>82%</b>

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

Thousands of tonnes (kt)	June 2022 QTR	June 2021 QTR	Change %	June 2022 QTR	March 2022 QTR	Change %
<b>ROM Coal Production</b>	1,015	1,054	<b>(4%)</b>	1,015	915	<b>11%</b>
<b>Saleable Coal</b>	549	582	<b>(6%)</b>	549	606	<b>(9%)</b>
<b>Coal Sales</b>	488	626	<b>(22%)</b>	488	583	<b>(16%)</b>
<b>Inventory (ROM)</b>	139	122	<b>14%</b>	139	104	<b>33%</b>
<b>Inventory (Saleable)</b>	131	66	<b>99%</b>	131	82	<b>59%</b>

NCC had a reasonable month, despite ongoing logistics constraints impacting export sales which were lower than anticipated and down approximately 25% from the prior period. Total coal sales during the June Quarter were 488kt, comprised of 318kt domestic sales and 170kt export sales.

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

Thousands of tonnes (kt)	June 2022 QTR	June 2021 QTR	Change %	June 2022 QTR	March 2022 QTR	Change %
<b>ROM Coal Production</b>	1,166	1,140	<b>2%</b>	1,166	995	<b>17%</b>
<b>Saleable Coal</b>	832	781	<b>6%</b>	832	623	<b>33%</b>
<b>Coal Sales</b>	751	908	<b>(17%)</b>	751	786	<b>(5%)</b>
<b>Inventory (ROM)</b>	148	5	<b>&gt;100%</b>	148	113	<b>31%</b>
<b>Inventory (Saleable)</b>	116	168	<b>(31%)</b>	116	31	<b>&gt;100%</b>

NBC had a relatively consistent June Quarter, delivering ROM coal production of 1,166kt, up 17% from the March Quarter.

Export coal sales continue to be strong from NBC despite the mine having to use alternate supply chain methods (trucking) due to ongoing constraints with the rail system in South Africa. Total export coal sales delivered in the June Quarter were 213kt and total sales to Eskom were 538kt.

## Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	June 2022 QTR	June 2021 QTR	Change %	June 2022 QTR	March 2022 QTR	Change %
<b>ROM Coal Production</b>	472	461	<b>2%</b>	472	269	<b>76%</b>
<b>Saleable Coal</b>	266	338	<b>(21%)</b>	266	253	<b>5%</b>
<b>Coal Sales</b>	329	428	<b>(23%)</b>	329	354	<b>(7%)</b>
<b>Inventory (ROM)</b>	140	131	<b>7%</b>	140	125	<b>12%</b>
<b>Inventory (Saleable)</b>	31	25	<b>24%</b>	31	40	<b>(23%)</b>

The Ubuntu colliery delivered a solid result for the June Quarter. Coal sales were lower than what was achieved in the March Quarter by 7%, however the result achieved in the June Quarter reflects a steady state run rate for the operation.

## South Africa Financial Performance

Financial Performance Summary <sup>8</sup>	July 2021 to June 2022 A\$'million Total	July 2021 to June 2022 A\$ per Sold Tonne
<b>Revenue</b>	464.9	71.6
<b>Costs</b>	(330.5)	(50.9)
<b>Operating EBITDA<sup>3</sup></b>	<b>134.4</b>	<b>20.7</b>

Operating EBITDA<sup>3</sup> for the South African operations for the 12 months to 30 June 2022 was \$134.4 million or \$20.7 per tonne.

## CORPORATE

### Debt Reduction

As announced on 25 May 2022, the Euroclear Bond facility was fully repaid. This result is a major milestone achievement for the Company and within 12 months the Company has paid in excess of US\$198 million in principal, interest (including special interest) and fees. The repayments include the US\$60 million Prepayment Facility announced to the market on 28 February 2022.

During the quarter the Company also cleared all debt within TerraCom Limited, as parent entity, and debt within the Australian Business Unit. The Prepayment Facility amount owing as at 30 June 2022 was US\$40 million. This facility is classified as revenue received in advance on the balance sheet and will be repaid from Blair Athol coal sales by end Q2 FY2023.

### Issue of fully paid ordinary securities

During the June Quarter, OCP Asia (convertible bondholder) issued a conversion notice to the Company to convert the full amount of the convertible bond issued in December 2019 into TerraCom fully paid ordinary shares. The convertible bond amount was US\$20,000,000 with a



conversion price of A\$0.696 and an expiry of 24 December 2022. As a result of the conversion notice, the Company extinguished US\$20 million of debt liabilities via the issue of 39,910,638 fully paid ordinary shares to OCP Asia on 16 June 2022.

The Company also issued 3,333,333 fully paid ordinary shares to Evolution Capital on 16 June 2022, following the exercise of unquoted options as announced to the market on 18 November 2021. A total of 1,666,667 unquoted options still remain with an exercise price of \$0.35 and an expiry date of 19 November 2024.

The Company now has 797,851,601 fully paid ordinary shares on issue.

### **Board and Management Changes**

The following board and management changes occurred effective 8 July 2022:

- Craig Ransley retired from the role of Executive Chairman.
- Graeme Campbell was appointed to the role of Non-Executive Chairman.

### **COAL SALES OUTLOOK**

#### **Australia**

BA is forecasting coal sales of 2.2 million tonnes for the financial year ended 30 June 2023 and is fully sold until October 2022. As previously advised, all coal sales that are agreed for the year ended 30 June 2023 have been sold against applicable indexes.

Post October 2022, there remains up to 450,000 tonnes unsold for the remaining 8 months to 30 June 2023. The Company is targeting to sell this product in the spot market, depending on market conditions.

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.

**Domestic Sales:** Demand levels for Eskom have stabilised and the Company is forecasting that the South African operations should deliver contracted quantities for the 2023 financial year.

## REFERENCES

1. **Operating EBITDA** - Non IFRS measure. Based on management accounts. The data presented represents the Australian Business Unit, and 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the South African operating mines ranges from 48.9% to 49.0%. The data presented does not include the TerraCom corporate costs.
2. **Australian Operating EBITDA** - 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.
3. **South African Operating EBITDA** - 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%.
4. **Cash at Bank** – amount includes \$70 million cash held by TerraCom Limited, as parent entity, cash held by all Australian subsidiaries and cash held by Universal Coal Holdings South Africa (Pty) Ltd plus \$16 million cash attributable to TerraCom from other South African subsidiaries based on the equity interest held by TerraCom. This number does not represent the cash amount to be reported in accordance with IFRS from a consolidation point of view.
5. **Managed Tonnes** – 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%.
6. **Equity Tonnes** – The data represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.
7. Refer to ASX Announcement dated 10 June 2022 titled "Company Update".
8. **Financial Performance Summary** - 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.



## MINING TENEMENTS HELD AT THE END OF THE QUARTER

Operation / Project	Tenement	Interest at the start of qtr	Interest at the end of qtr	Location	Commodity
<b>Blair Athol</b>	ML1804	100%	100%	Australia	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>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>Berenice</b>	Prospecting Right (PR) LP30/5/1/1/2/376PR Mining Right: LP30/5/1/1/2/10131MR – under application	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>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



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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