TerraCom Limited
Blair Athol Mine Access Road
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ABN 35 143 533 537

TERRACOM

ASX ANNOUNCEMENT

30 August 2022

APPENDIX 4E AND PRELIMINARY FINANCIAL REPORT

Name of entity:	TerraCom Limited
ABN:	35 143 533 537
Reporting Period:	For the year ended 30 June 2022
Previous Period:	For the year ended 30 June 2021

Results for announcement to the market

			A$'000
Revenue from ordinary activities	up	46.5%	804,626
Operating EBITDA[1] per management accounts	up	>100%	488,125
EBITDA per statutory accounts	up	>100%	384,006
Profit from ordinary activities for the year after income tax	up	>100%	215,659
Profit for the year after income tax attributable to the owners of TerraCom Limited	up	>100%	170,561

Reconciliation of Operating EBITDA[1] to consolidated EBITDA per IFRS

The following reconciliation provides an analysis between operating EBITDA[1] previously reported to shareholders vs the consolidated EBITDA per statutory accounts, reported in accordance with IFRS.

	A$M
EBITDA per statutory accounts	**384.0**
Adjustments	
Add:	
Deconsolidation adjustments: EBITDA for the 5 months for Ubuntu, NCC, Eloff, Berenice & Cygnus and EBITDA for the 8 months for NBC	87.0
Consolidation & foreign exchange adjustments	6.6
Impairment expense	22.3
Corporate EBITDA	19.3
Deduct:	
Share of profits from South Africa following deconsolidation	(26.0)
Gain on deconsolidation	(5.1)
Operating EBITDA[1] per management accounts	**488.1**

[1] 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.

Dividends

A final dividend of 10 cents per share (comprising an ordinary dividend of 7.5 cents per share and a special dividend of 2.5 cents per share) was declared by the Company's Board of Directors on 26 August 2022 for the financial year ended 30 June 2022. The dividend is unfranked, has a record date of 5 September 2022, and is payable on 16 September 2022. The ex-dividend date is 2 September 2022.

There was no dividend recommended, declared or paid during the Previous Period.

Net Tangible Assets	**Reporting Period (cents)**	**Previous Period (cents)**
Net tangible assets per ordinary security	16.76	(3.64)

Details of associated and joint venture entities which control has been lost

In accordance with AASB10, control was lost over the following South African entities.

Entity Name	**% ownership**	**Date control ceased**
North Block Complex (Pty) Ltd (**NBC**)	49.0%	31/10/2021
Universal Coal Development III (Pty) Ltd (**Ubuntu**)	48.9%	03/02/2022
Universal Coal Development IV (Pty) Ltd (New Clydesdale Colliery) (**NCC**)	49.0%	03/02/2022
Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**)	49.0%	03/02/2022
Universal Coal Development II (Pty) Ltd (**Berenice**)	50.0%	03/02/2022
Universal Coal Development V (Pty) Ltd (**Cygnus**)	50.0%	03/02/2022

Further information relating to the circumstances of the loss of control is provided within the Preliminary Financial Report attached. For the avoidance of doubt, the loss of control does not change the economic or equity interest TerraCom has in any entity.

Control gained over entities

No change since 30 June 2021.

Audit qualification or review

The Preliminary Financial Report is based on statutory financial statements that are in the process of being audited.

Attachments and additional information

Additional information is provided in the Preliminary Financial Report for the year ended 30 June 2022.

This announcement has been approved by the Board for release.

For further enquiries please contact:

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About TerraCom Limited

TerraCom Limited (ASX: TER) is an Australian based mining resources company with a global footprint comprising a large portfolio of operating assets in Australia and South Africa within the coal sectors. We are a renowned low cost producer focused on delivering exceptional outcomes from our high yielding diversified asset portfolio for its investors. To learn more about TerraCom visit terracomresources.com.

TerraCom Limited

ABN 35 143 533 537

Preliminary Financial Report
30 June 2022

TerraCom Limited

Corporate directory

Directors	Mr Graeme Campbell (Non-Executive Chairman) (appointed 28 January 2022, appointed Non-Executive Chairman 8 July 2022) Mr Danny McCarthy (Managing Director) Mr Matthew Hunter Mr Glen Lewis Mr Mark Lochtenberg (appointed 28 January 2022) Mr Craig Lyons Mr Shane Kyriakou
Executive Management	Ms Megan Etcell (Chief Financial Officer and Company Secretary) Mr Nathan Boom (Chief Commercial Officer)
Registered office	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia
Principal place of business	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia
Contact address	PO Box 131 Clermont, Queensland, 4721 Australia
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, New South Wales, 2000 Australia Telephone: +61 1300 554 474 Facsimile: +61 2 9287 0303
Auditor	Ernst & Young 200 George Street Sydney, New South Wales, 2000 Australia
Solicitors	Ashurst Australia Level 11, 5 Martin Place Sydney, NSW, 2000 Australia
Bankers	Westpac Banking Corporation 22 Walker Street Townsville, Queensland, 4810 Australia
Stock exchange listing	TerraCom Limited shares are listed on the Australian Securities Exchange (ASX code: TER)
Website	www.terracomresources.com

This preliminary financial report provides information on the consolidated entity (referred to hereafter as the **Group**) consisting of TerraCom Limited (referred to hereafter as the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2022.

1. Principal activities

The principal activity of the Group during the period was the development and operation of coal mines in Queensland, Australia and South Africa.

2. Directors

At the date of this report, and at any time during the financial year, the Directors of the Company were:

Mr Graeme Campbell, Chairman (appointed 28 January 2022, appointed Non-Executive Chairman 8 July 2022)
Mr Danny McCarthy, Managing Director
Mr Matthew Hunter
Mr Glen Lewis
Mr Craig Lyons
Mr Shane Kyriakou
Mr Mark Lochtenberg (appointed 28 January 2022)
Mr Craig Ransley (resigned 8 July 2022)

Unless otherwise stated, the Directors listed above held office as a Director of the Company throughout the financial year ended 30 June 2022.

3. Dividends

A final dividend of 10 cents per share (comprising an ordinary dividend of 7.5 cents per share and a special dividend of 2.5 cents per share) was declared by the Company's Board of Directors on 26 August 2022 for the financial year ended 30 June 2022. The dividend is unfranked, has a record date of 5 September 2022, and is payable on 16 September 2022. The ex-dividend date is 2 September 2022.

The Company does not have a dividend reinvestment plan so no plan will apply for the dividend.

4. Safety and Covid-19

We value safety and have an inclusive and respectful culture within our business and the wellbeing of our people is key to our success. Our approach is to keep things simple - safety is a mindset and an attitude for everyone in our business and is instilled in all parts of our organisation. Safety forms part of our overall business culture and is foremost in everything we do.

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 and well whilst delivering on our operational requirements and supporting our local communities and maintaining safe and reliable operations.

For the full year ending 30 June 2022, Lost Time Injury Frequency Rate (**LTIFR**) and Total Recordable Injury Frequency Rate (**TRIFR**) improved by 24% and 18% respectively. The LTIFR for the entire year was 0.9 (FY2021: 1.13), and the TRIFR was 2.2 (FY2021: 2.7).

5. Operating and financial review

Financial Highlights

- EBITDA of $384.0 million, an increase of greater than 100% from the prior period.
- Profit after income tax attributable to TerraCom of $170.6 million (2021: loss after income tax of $84.0 million).
- Operating cash flow of $313.6 million (2021: $5.7 million).
- Cash and cash equivalents of $69.6 million (2021: $11.2 million).

5. Operating and financial review (continued)

The following table summarises the key reconciling items between the Group's EBITDA, its net profit after income tax, and total comprehensive profit:

	Year Ended 30 June 2022 $'000	Year Ended 30 June 2021 $'000
Revenue	804,626	549,007
Profit / (Loss) before income tax and significant items	337,325	(72,548)
Significant items		
- impairment of assets	(22,300)	(33,576)
- gain on deconsolidation	5,068	-
Profit / (loss) before taxation	**320,093**	**(106,124)**
Earnings before interest, tax, depreciation and amortisation	384,006	(17,629)
- net finance expenses	(36,349)	(45,569)
- depreciation and amortisation expense	(27,564)	(42,926)
- income tax (expense)/benefit	(57,403)	11,558
- deferred tax (expense) / benefit	(47,031)	-
Profit / (loss) after taxation	**215,659**	**(94,566)**
Profit / (loss) after tax attributable to the owners of TerraCom Limited	**170,561**	**(84,057)**
Other comprehensive income / (loss) net of tax	(23,134)	28,691
Total comprehensive profit / (loss) net of tax	**192,525**	**(65,875)**
Total comprehensive profit / (loss) attributable to the owners of TerraCom Limited	**147,428**	**(59,485)**

Review of operations

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

	TOTAL TONNES				EQUITY TONNES			
	ROM Tonnes (kt)		Coal Sales (kt)		ROM Tonnes (kt)		Coal Sales (kt)	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Australia	**2,781**	**2,555**	**2,303**	**2,247**	**2,781**	**2,555**	**2,303**	**2,247**
Blair Athol	2,781	2,555	2,303	2,247	2,781	2,555	2,303	2,247
South Africa	**9,812**	**10,677**	**6,659**	**7,334**	**4,807**	**5,478**	**3,262**	**3,789**
Kangala (1)	-	1,152	-	920	-	813	-	649
NCC (2)	4,086	4,283	2,347	2,419	2,002	2,099	1,150	1,185
NBC (2)	4,285	3,692	3,100	2,667	2,100	1,809	1,519	1,306
Ubuntu (3)	1,441	1,550	1,212	1,328	705	757	593	649
Total	**12,593**	**13,232**	**8,962**	**9,581**	**7,588**	**8,033**	**5,565**	**6,036**

Notes - (1) 70.5% equity interest owned by TerraCom Limited, (2) 49.0% equity interest owned by TerraCom Limited, (3) 48.9% equity interest owned by TerraCom Limited.

Total tonnes disclosed throughout this report assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49%. Equity tonnes disclosed throughout this report represents the tonnes attributable to TerraCom's equity ownership.

5. Operating and financial review (continued)

Australian Business Unit

The Australian Business Unit comprises one operational mine, the flagship Blair Athol Coal Mine (**BA**) located in Clermont, Queensland (as well as a large portfolio of exploration and evaluation assets predominantly located in the Northern Galilee coal region).

The summary operating financial performance can be summarised as follows:

		Year Ended 30 June 2022 (1)
Revenue	$m	565.4
	$ / Sold Tonne	245.5
Costs (2)	$m	215.3
	$ / Sold Tonne	93.5
Operating profit	$m	350.1
	$ / Sold Tonne	152.0

(1) The data presented does not include the results from the South African Business unit or TerraCom corporate costs.
(2) Reflects ongoing operational costs and excludes one off items in current year and prior year.

Exceptional seaborne coal pricing resulted in BA delivering a strong operating result for the 12 months to 30 June 2022. The result for the June Quarter contributed 49% of the full financial year result.

Free on Board (**FOB**) costs were impacted by revenue linked costs (including government royalties), diesel and current inflation pressures being experienced by the mining industry. The royalty per tonne for 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, driven by coal price.

South African Business Unit

The South African Business Unit comprised three operating coal mines throughout FY2022 – North Block Colliery, New Clydesdale Colliery and Ubuntu Colliery.

The summary operating financial performance can be summarised as follows:

		Year Ended 30 June 2022 (1)
Revenue	$m	464.9
	$ / Sold Tonne	71.6
Costs	$m	330.5
	$ / Sold Tonne	50.9
Operating EBITDA (2)	$m	134.4
	$ / Sold Tonne	20.7

(1) The information presented above includes 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%. The variance between the information noted above and information contained within Note 3 – Operating segments is due to the South African operations being deconsolidated in accordance with IFRS.
(2) Non IFRS measure. Based on management accounts. The data presented does not include the results from the Australian Business unit or TerraCom corporate costs.

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

Operating EBITDA for the South African operations for the 12 months to 30 June 2022 was $134.4 million or $20.7 per tonne. The strong export coal price for RB1 sales from both NCC and NBC throughout the second half of the year positively impacted the full year results.

5. Operating and financial review (continued)

Cashflows and capital management

	Year ended 30 June 2022	Year ended 30 June 2021
	$M	$M
Net cash at beginning of year	11.2	10.1
Net cash from operating activities	313.6	5.7
Net cash from investing activities	(14.5)	(43.9)
Net cash from financing activities	(243.1)	39.2
Effects of exchange rate changes on cash and cash equivalents	2.4	0.1
Net cash at end of year	**69.6**	**11.2**

During the year the Group's revenue was significantly buoyed by the strong export coal market. The Group's BA Mine (Australian operation) earned $245.5 per tonne, an improvement of more than 100% compared to the prior year ($70.9 per tonne). Whilst the South African operations predominately supply coal domestically, the improved export pricing achieved on the RB1 coal sales from both the NCC and NBC operations did significantly contribute to the higher revenue per tonne result for the South African business unit. The result for FY2022 was $71.6 per tonne, a 27% increase on the $56.2 per tonne achieved in the prior comparable period.

The strong coal pricing realised by the Group enabled accelerated repayment of the Company's Euroclear Bond, which was completed in May 2022, 7 months ahead of the maturity date of December 2022. Within 12 months the Company paid in excess of US$198 million in principal, interest (including special interest) and fees. The repayments included the US$60 million prepayment facility received during April and May 2022.

6. Significant changes in the state of affairs

Loss of unanimous operational Management Control

The operating and management agreement for North Block Complex (Pty) Ltd (**NBC**) expired on 31 October 2021. From and after this date the direct operational management and control of NBC changed to the NBC board of directors, which is equally represented by shareholders as noted below:

- Ndalamo Resources (Pty) Ltd (51%) (**Ndalamo**) – 2 board representatives; and
- Universal Coal and Energy Holdings (Pty) Ltd (**UCEHSA**) (49%) – 2 board representatives (sole ultimate shareholder is TerraCom).

Given the loss of operating and management rights of NBC on 31 October 2021, as and from this date, the Group no longer has direct operational control as defined within *AASB10 Consolidated Financial Statements* (**AASB 10**). Given this, NBC has been deconsolidated by the Group and recorded as an investment in associate at fair value, at an interest of 49%, from 31 October 2021, the date in which it was determined in accordance with AASB 10 that control ceased.

Throughout the 2022 financial year, UCEHSA dealt with a number of matters with its Broad-based Black Economic Empowerment partner, Ndalamo, regarding the continued operation and management of its jointly held operations. As part of the process, UCEHSA agreed to changes to operational and management rights under existing agreements with Ndalamo in order to meet requirements with the Department of Mineral Resources and Energy (**DMRE**) in South Africa.

As a result of the collaborative discussions with the DRME, the Group relinquished unanimous control of a number of its South African entities. As a result of a change in voting rights brought about from these discussions, on and from 3 February 2022, TerraCom no longer had direct (unanimous) operational control, as defined within AASB10, of the following entities, a change to the previously held position whereby UCEHSA controlled all of these entities:

- Universal Coal Development III (Pty) Ltd (**Ubuntu**);
- Universal Coal Development IV (Pty) Ltd (New Clydesdale Colliery (**NCC**)); and
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) (indirect, Eloff is wholly owned by NCC).

6. Significant changes in the state of affairs (continued)

As part of the assessment performed, it also became apparent that without further applications to the DMRE to amend the existing mining right lodgments for both Universal Coal Development II (Pty) Ltd (**Berenice**) and Universal Coal Development V (Pty) Ltd (**Cygnus**), UCEHSA would be unable to exercise its option to acquire further interest beyond its existing 50% interest. This change also resulted in a loss of control by UCEHSA of these entities, in accordance with AASB10.

Given the above, from 3 February 2022, the following named entities have been deconsolidated and recorded as an investment in associate at an interest equivalent to that noted.

- Universal Coal Development III (Pty) Ltd (**Ubuntu**) – 48.9%;
- Universal Coal Development IV (Pty) Ltd (New Clydesdale colliery (**NCC**)) – 49%;
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) – 49% (indirect, Eloff is wholly owned by NCC);
- Universal Coal Development II (Pty) Ltd (**Berenice**) – 50%; and
- Universal Coal Development V (Pty) Ltd (**Cygnus**) – 50%.

The loss of control under AASB 10 does not change the economic or equity interest TerraCom has in any entity as noted above and, in all instances, both prior to and subsequent to the date of control being lost, TerraCom has remained entitled to the economic returns of the entities commensurate with its shareholding interest.

7. Matters subsequent to the end of the financial year

The Company's Executive Chairman, Craig Ransley, resigned on 8 July 2022. Mr Graeme Campbell was appointed as Non-executive Chairman on this date.

A final dividend of 10 cents per share (comprising an ordinary dividend of 7.5 cents per share and a special dividend of 2.5 cents per share) was declared by the Company's Board of Directors on 26 August 2022 for the financial year ended 30 June 2022. The dividend is unfranked, has a record date of 5 September 2022, and is payable on 16 September 2022. The ex-dividend date is 2 September 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

8. Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report.

9. Environmental regulation

The Group holds a number of licences issued by the relevant environmental protection authorities of the various countries inwhich it operates. There have been no significant known breaches of the consolidated entities' licence conditions or any environmental regulations.

10. Principal risks

The Group operates in the coal sector in both Australia and South Africa. There are a number of factors, both specific to the Group and to the coal sector in general, which may, either individually or in combination, affect the future operating and financial performance of the Group, its prospects and/or the value of the Group's shares. Many of the circumstances giving rise to these risks are beyond the control of the board and management.

The risks believed to be associated with investment in the Group remain unchanged from the consolidated annual financial report for the year ended 30 June 2021.

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General information

The preliminary financial statements are presented in Australian dollars (AUD), which is TerraCom Limited's presentation currency. The functional currency of the Australian exploration subsidiaries and United Kingdom subsidiaries is Australian Dollars (AUD), the South African subsidiaries is South Africa Rand (ZAR), and the remainder of the subsidiaries and TerraCom Limited is United States Dollar (USD).

TerraCom Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Blair Athol Mine Access Road, Clermont, Queensland, 4721.

TerraCom Limited

Consolidated preliminary statement of profit or loss for the year ended 30 June 2022

	Note(s)	2022 $ '000	2021 $ '000
Revenue		804,626	549,007
Cost of goods sold		(366,460)	(489,109)
Gross profit from continuing operations		**438,166**	**59,898**
Net foreign exchange losses		(5,130)	(4,946)
Other operating and administration expenses		(57,787)	(37,954)
Share of profit / (loss) of associate		25,990	(5)
Operating profit from continuing operations		**401,239**	**16,993**
Finance income		1,362	1,261
Finance expenses		(37,711)	(46,830)
Depreciation and amortisation expense	6	(27,564)	(42,926)
Gain on deconsolidation	12	5,068	-
Impairment of assets	7	(22,300)	(33,576)
Loss on disposal of fixed assets	3	(1)	(1,046)
Profit / (loss) before taxation from continuing operations		**320,093**	**(106,124)**
Income tax (expense) / benefit		(57,403)	11,558
Deferred tax (expense) / benefit		(47,031)	-
Profit / (loss) after taxation from continuing operations		**215,659**	**(94,566)**
Profit / (loss) attributable to:			
Owners of TerraCom Limited		170,561	(84,057)
Non-controlling interest		45,098	(10,509)
		215,659	**(94,566)**
Earnings per share for profit (loss) from continuing operations attributable to the owners of TerraCom Limited			
Basic earnings / (loss) per share (cents)		22.56	(11.15)
Diluted earnings / (loss) per share (cents)		22.51	(11.15)

The consolidated preliminary statement of profit or loss is to be read in conjunction with the consolidated notes to the preliminary financial statements.

	Note(s)	2022 $ '000	2021 $ '000
Profit / (loss) for the year		215,659	(94,566)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation		(2,954)	28,691
Other		(20,180)	-
Other comprehensive income for the year net of taxation		(23,134)	28,691
Total comprehensive income / (loss)		**192,525**	**(65,875)**
Total comprehensive income / (loss) attributable to:			
Owners of TerraCom Limited		147,427	(59,485)
Non-controlling interest		45,098	(6,390)
		192,525	**(65,875)**

The consolidated preliminary statement of other comprehensive income is to be read in conjunction with the consolidated notes to the preliminary financial statements.

TerraCom Limited

Consolidated preliminary statement of financial position as at 30 June 2022

	Notes(s)	2022 $ '000	2021 $ '000
ASSETS			
Current Assets			
Cash and cash equivalents		69,572	11,186
Trade and other receivables	4	61,426	67,232
Inventories		6,005	21,717
Ndalamo loan receivable		4,169	4,368
		141,172	**104,503**
Non-Current Assets			
Trade and other receivables	4	27,065	2,254
Restricted cash		45,031	47,032
Investments accounted for using the equity method	12	77,387	38
Other financial assets	5	1,512	8,362
Property, plant and equipment	6	93,376	285,128
Exploration and evaluation assets	7	10,347	123,568
Deferred tax		-	39,683
Other non-current assets		16,667	13,423
		271,385	**519,488**
Total Assets		**412,557**	**623,991**
LIABILITIES			
Current Liabilities			
Trade and other payables		108,457	127,375
Current tax liability		44,730	-
Borrowings	8	12,073	272,772
Lease liabilities		363	1,652
Provisions	9	3,192	3,360
Financial liabilities		-	895
		168,815	**406,054**
Non-Current Liabilities			
Trade and other payables		-	1,305
Borrowings	8	24,847	41,824
Lease liabilities		51	280
Deferred tax		14,105	29,182
Provisions	9	71,031	167,686
Ndalamo loan payable		-	5,165
		110,034	**245,442**
Total Liabilities		**278,849**	**651,496**
Net Assets / (Liabilities)		**133,708**	**(27,505)**

	Note(s)	2022 $ '000	2021 $ '000
EQUITY			
Equity Attributable to Equity Holders of Parent			
Issued capital		365,462	335,657
Reserves		26,689	29,760
Accumulated loss		(268,718)	(445,823)
Attributable to the owners of TerraCom Limited		123,433	(80,406)
Non-controlling interest		10,275	52,901
Total equity		**133,708**	**(27,505)**

The consolidated preliminary statement of financial position is to be read in conjunction with the consolidated notes to the preliminary financial statements.

TerraCom Limited

Consolidated preliminary statement of changes in equity as at 30 June 2022

	Issued capital $ '000	Foreign currency translation reserve $ '000	Share based payments / options reserve $ '000	Accumulated losses $ '000	Non-controlling interest $ '000	Total equity $ '000
Balance at 01 July 2020	**335,492**	**5,187**	**11,911**	**(373,737)**	**62,171**	**41,024**
Loss for the year after income tax	-	-	-	(84,057)	(10,509)	(94,566)
Other comprehensive income	-	24,573	-	-	4,118	28,691
Total comprehensive loss for the year	**-**	**24,573**	**-**	**(84,057)**	**(6,391)**	**(65,875)**
Transfer between equity accounts	-	-	(11,971)	11,971	-	-
Share based payments	165	-	60	-	-	225
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	(2,879)	(2,879)
Balance at 01 July 2021	**335,657**	**29,760**	**-**	**(445,823)**	**52,901**	**(27,505)**
Profit for the year after income tax	-	-	-	170,561	45,098	215,659
Other comprehensive income	-	(2,954)	(117)	6,544	(26,607)	(23,134)
Total comprehensive income for the year	**-**	**(2,954)**	**(117)**	**177,105**	**18,491**	**192,525**
Deconsolidation of subsidiaries	-	-	-	-	(57,375)	(57,375)
Share issue	29,805	-	-	-	-	29,805
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	(3,742)	(3,742)
Balance at 30 June 2022	**365,462**	**26,806**	**(117)**	**(268,718)**	**10,275**	**133,708**

The consolidated preliminary statement of changes in equity is to be read in conjunction with the consolidated notes to the preliminary financial statements.

TerraCom Limited

Consolidated preliminary statement of cash flows as at 30 June 2022

	Note(s)	2022 $ '000	2021 $ '000
Cash flows from operating activities			
Cash receipts from customers		891,767	525,676
Cash paid to suppliers and employees		(522,588)	(499,895)
Interest received		5,691	114
Tax payments made		(5,103)	(2,281)
Interest paid		(52,534)	(17,825)
Receipts / (payments) relating to secured deposits		(3,640)	-
Net cash from operating activities		**313,593**	**5,789**
Cash flows from investing activities			
Payments for property, plant and equipment	6	(7,653)	(27,415)
Sale of property, plant and equipment		-	264
Payments for exploration and evaluation		(129)	(952)
Payments for financial asset (mining rehabilitation guarantee)		(35)	(3,321)
Payments for cash advances to other parties		-	(5,584)
Loan repayment (to) / from Ndalamo Resources		3,500	(6,696)
Deconsolidation – cash and cash equivalents	12	(18,595)	-
Loan to Universal Coal Development VII (Pty) Ltd – joint venture		-	(101)
Dividends received from associates		8,352	-
Net cash from investing activities		**(14,560)**	**(43,805)**
Cash flows from financing activities			
Proceeds from issue of shares		1,110	-
Proceeds from borrowings		2,992	56,031
Repayment of borrowings		(240,234)	(12,051)
Transfer to restricted cash		(365)	-
Repayment of land royalty agreement		-	(701)
Repayment of principal component of lease liabilities		(2,692)	(1,127)
Dividend paid by subsidiary to non-controlling interest		(3,903)	(2,879)
Net cash from financial activities		**(243,092)**	**39,273**
Total cash movement for the year		55,941	1,257
Cash at the beginning of the year		11,186	10,108
Effect of exchange rate movement on cash equivalents		2,445	(179)
Total cash at end of the year		**69,572**	**11,186**

The consolidated statement of cash flows is to be read in conjunction with the consolidated notes to the preliminary financial statements.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the preliminary financial statements are the same as those applied by the Group in its consolidated annual financial report for the year ended 30 June 2021.

1.1 New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

1.2 Basis of preparation

Going Concern – The preliminary financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Historical cost convention – The preliminary financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

1.3 Principles of consolidation

The consolidated preliminary financial statements incorporate the assets and liabilities of all subsidiaries of the Company (TerraCom Limited) as at 30 June 2022 and the results of all subsidiaries for the year then ended. TerraCom Limited and its subsidiaries together are referred to in these financial statements as the **Group**.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposedto, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of a business is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controllinginterest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

2. Critical accounting judgements, estimates and assumptions

The preparation of the preliminary financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the preliminary financial statements. Apart from noted below, the critical accounting judgements, estimates and assumptions adopted in the preparation of the preliminary financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021.

2. Critical accounting judgements, estimates and assumptions (continued)

Loss of control and deconsolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

In order to recognise the fair value of the investment retained, the Group assesses the fair value of the estimated future cash flows which are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors including future coal prices, discount rates, foreign exchange rates, future costs of production, stripping ratios, and future capital expenditure. These assumptions are likely to change over time, which may then impact the estimated life of the mine, and the associated fair value of the underlying entities.

3. Operating segments

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers, or CODM) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to havesimilar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the geographical location of the segment; and
- any external regulatory requirements.

Performance is measured based on segment profit after income tax as included in the internal financial reports.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the preliminary financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The reporting segments are organised according to the nature of the activities undertaken and geographical local of the activities as outlined below:

Australia	Coal exploration and extraction activities within Australia
South Africa	Coal exploration and extraction activities within South Africa
Corporate	Various business development and support activities that are not allocated to operating segments.

Accounting policies adopted

All amounts reported to the Board of Directors, being the CODM, with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

A number of inter-segment transactions, receivables, payables or loans occurred during the period, or existed at balance date. In addition, corporate recharges were allocated to the reporting segments.

3. Operating segments (continued)

Major customers

During the year ended 30 June 2022 the Group's external revenue was derived from sales to the following customers. Note, the information presented below includes sales from the South African operations until date of deconsolidation.

	2022 $'000	2022 %	2021 $'000	2021 %
Major customers				
Eskom	110,347	13.7%	231,033	42.1%
Glencore	77,474	9.6%	78,488	14.3%
Noble Group	-	0.0%	11,980	2.2%
Vitol	239,243	29.8%	-	0.0%
Other customers	377,562	46.9%	227,506	41.4%
	804,626	**100.0%**	**549,007**	**100.0%**

Geographic information	**2022 $'000**		**2021 $'000**	
	Sales to external customers	**Non-current assets**	**Sales to external customers**	**Non-current assets**
Australia	565,393	189,047	159,237	204,988
South Africa	239,233	82,338	389,770	307,094
	804,626	**271,385**	**549,007**	**512,082**

The geographical non-current assets above are exclusive of, where application, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

3. Operating segments (continued)

2022	Australia	South Africa*	Unallocated/ Corporate	Total
	$'000	$'000	$'000	$'000
Revenue				
Sales to external customers	565,393	239,233	-	804,626
Cost of goods sold	(179,566)	(186,894)	-	(366,460)
Gross Profit	**385,827**	**52,339**	**-**	**438,166**
Other operating and administration expenses	(32,650)	(7,962)	(17,176)	(57,787)
Net foreign exchange gain / (loss)	(3,036)	4	(2,098)	(5,130)
Share of profits / (losses) of associates accounted for using the equity method	-	25,990	-	25,990
Operating Profit	**350,142**	**70,371**	**(19,274)**	**401,239**
Depreciation and amortisation expense	(14,505)	(12,696)	(363)	(27,564)
Loss on disposal	-	(1)	-	(1)
Impairment of exploration assets	(2,770)	(19,530)	-	(22,300)
Gain on deconsolidation	-	5,068	-	5,068
Net finance expenses	(2,535)	(4,566)	(29,248)	(36,349)
Profit before taxation from continuing operations	**330,332**	**38,646**	**(48,885)**	**320,093**
Profit before taxation				320,093
Income tax expense				(104,434)
Profit after taxation from continuing operations				**215,659**
Assets				
Segment assets	307,963	104,594	-	412,557
Total assets	**307,963**	**104,564**	**-**	**412,557**
Total assets include additions and acquisitions of non-current assets				
Property plant and equipment	5,123	2,530	-	7,653
Exploration and evaluation	76	53	-	129
	5,199	**2,583**	**-**	**7,782**
Liabilities				
Segment liabilities	230,437	48,412	-	278,849
Total liabilities	**230,437**	**48,412**	**-**	**278,849**

** up to the date of deconsolidation*

3. Operating segments (continued)

2021	Australia	South Africa	Unallocated/ Corporate	Total
	$'000	$'000	$'000	$'000
Revenue				
Sales to external customers	159,237	389,770	-	549,007
Cost of goods sold	(138,510)	(350,599)	-	(489,109)
Gross Profit	**20,727**	**39,171**	**-**	**59,898**
Other operating and administration expenses	(17,324)	(4,246)	(16,384)	(37,954)
Net foreign exchange gain / (loss)	-	-	(4,946)	(4,946)
Share of profits / (losses) of associates accounted for using the equity method	-	(5)	-	(5)
Operating Profit	**3,403**	**34,920**	**(21,330)**	**16,993**
Depreciation and amortisation expense	(13,275)	(29,584)	(67)	(42,926)
Loss on disposal	-	-	(1,046)	(1,046)
Impairment of Australian exploration assets	(33,576)	-	-	(33,576)
Net finance expenses	(2,452)	(8,490)	(34,627)	(45,569)
Loss before taxation from continuing operations	**(45,900)**	**(3,154)**	**(57,070)**	**(106,124)**
Loss before income tax				(106,124)
Income tax benefit				11,558
Loss after income tax benefit from continuing operations				**(94,566)**
Assets				
Segment assets	216,214	404,750	3,027	623,991
Total assets	**216,214**	**404,750**	**3,027**	**623,991**
Total assets include additions and acquisitions of non-current assets				
Property, plant and equipment	4,835	23,830	-	28,665
Exploration and evaluation	7	945	-	952
	4,842	**24,775**	**-**	**29,617**
Liabilities				
Segment liabilities	137,288	246,500	267,708	651,496
Total liabilities	**137,288**	**246,500**	**267,708**	**651,496**

4. Trade and other receivables

	Consolidated	
	2022	**2021**
	$ '000	**$ '000**
Trade receivables	43,096	56,386
Trade receivables – related parties	36,893	-
Long service leave receivable	2,475	2,254
Other receivables	6,027	10,846
Total trade and other receivables	**88,491**	**69,486**

Trade receivables is net of provisions for bad debts. The remaining receivables are with customers with an established history of recoverability and any expected loss will be immaterial (less than 1%).

The trade receivables – related parties balance relates to funds owing from the deconsolidated South African entities which have drawn funds against the loan with The Standard Bank of South Africa. As disclosed in note 8, UCEHSA is the main borrower, on behalf of the entities.

The other receivables balance includes refundable Value Added Tax (VAT), Goods and Services Tax (GST) and Diesel Rebate receivable. Due to the short-term nature of these receivables, their carrying value is assumed to approximate to their fair value. The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

	Consolidated	
	2022	**2021**
	$ '000	**$ '000**
Current assets	61,426	67,232
Non-current assets	27,065	2,254
	88,491	**69,486**

5. Other financial assets

	Consolidated	
	2022	**2021**
	$ '000	**$ '000**
Mining rehabilitation guarantees	**1,512**	**8,632**

Legislation stipulates that all mining operations within South Africa are required to make a provision for environmental rehabilitation during the Life of Mine and at closure. In line with this requirement, the Group has entered into policies with a reputable insurance broker to set aside funds for aforementioned purposes. On the back of these policies, the insurance broker provides the required mining rehabilitation guarantees which are accepted by the Department of Mineral Resources and Energy in South Africa. The Group makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against the Group assets over a period of time.

This financial asset comprises the premium paid to the insurer, plus interest, less charges and claims paid by the insurer to the Group and is measured at amortised cost, as the formula includes the effect of the time value of money.

6. Property, plant and equipment

Consolidated	2022 Cost $'000	2022 Accumulated depreciation $'000	2022 Carrying Value $'000	2021 Cost $'000	2021 Accumulated depreciation $'000	2021 Carrying value $'000
Land and buildings	6,331	-	6,331	5,831	-	5,831
Plant and machinery	43,519	(21,132)	22,387	54,536	(22,449)	32,087
Mine development	167,101	(103,953)	63,148	376,723	(151,979)	224,744
Right-of-use assets – land and buildings	-	-	-	778	(243)	535
Right-of-use assets – plant and equipment	4,101	(3,636)	465	3,100	(1,638)	1,462
Capital – work in progress	1,045	-	1,045	20,469	-	20,469
Total	**222,097**	**(128,721)**	**93,376**	**461,437**	**(176,309)**	**285,128**

Reconciliation of property, plant and equipment	Opening balance $'000	Additions $'000	Disposals $'000	Transfers $'000	Derecognition $'000	Change in estimate $'000	Exchange differences $'000	Depreciation $'000	Total $'000
Consolidated – 2022									
Land and buildings	5,831	-	-	-	-	-	500	-	6,331
Plant and machinery	32,087	587	(113)	6,767	(10,010)	607	(2,309)	(5,229)	22,387
Mine development	224,744	1,049	-	2,866	(149,437)	-	5,010	(21,084)	63,148
Right-of-use assets – land & buildings	535	-	-	-	(83)	-	(16)	(201)	235
Right-of-use assets – plant & equipment	1,462	240	(650)	-	-	15	213	(1,050)	230
Capital – work in progress	20,469	5,777	(95)	(9,633)	(15,256)	(660)	443	-	1,045
Total	**285,128**	**7,653**	**(858)**	**-**	**(174,786)**	**(38)**	**3,841**	**(27,564)**	**93,376**
Consolidated – 2021									
Land and buildings	6,344	-	-	-	-	(513)	-	-	5,831
Plant and machinery	31,770	3,453	(145)	2,708	-	(340)	-	(5,359)	32,087
Mine development*	208,907	10,000	(816)	20,066	-	12,579	10,292	(36,284)	224,744
Right-of-use assets* – land & buildings	1,019	-	-	-	-	70	(433)	(121)	535
Right-of-use assets* – plant & equipment	3,716	1,250	-	-	-	(344)	(1,998)	(1,162)	1,462
Capital – work in progress	27,797	13,962	-	(22,774)	-	1,484	-	-	20,469
Total	**279,553**	**28,665**	**(961)**	**-**	**-**	**12,936**	**7,861**	**(42,926)**	**285,128**

** Right of use change in estimate relates to modifications to leases and mine development change in estimate relates to rehabilitation asset adjustments for changes in assumptions.*

6. Property, plant and equipment (continued)

Right-of-use Assets

Right-of-use assets consist of mining plant and equipment and an office lease.

Impairment

At each reporting period, the Company assesses whether there are indicators of impairment or impairment reversal with respect to its mining assets. When indicators of impairment or impairment reversal are identified, impairment testing is performed to determine their recoverable amount. If the carrying value of the assets exceeds this recoverable amount, an impairment loss is charged to the Statement of Comprehensive Income with a corresponding reduction in the asset value. If the recoverable amount exceeds the carrying value for an asset which was previously impaired a partial or full reversal is recorded.

For mining assets, the expected future cash flows are based on a number of factors, variables and assumptions. In most cases, the present value of future cash flows is most sensitive to estimates of future commodity price, foreign exchange and discount rates. The future cash flows for the FVLCD calculation are based on estimates, the most significant of which are coal reserves, future production profiles, commodity prices, operating costs, any future development costs necessary to produce the reserves and value attributable to additional resource and exploration opportunities beyond reserves based on production plans. The FVLCD calculation is categorised within level 3 of the fair value hierarchy.

Future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. The Group's coal price forecasts include the expected impact of climate change and potential policy responses as one of the many factors that can affect long term scenarios. The Group's independent research into forecast coal consumption suggests that the global demand for the Group's products will continue over the life of the respective fields. Future commodity prices are reviewed at least annually. Where volumes are contracted, future prices are based on the contracted price.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's CGUs could change materially and result in impairment losses or the reversal of previous impairment losses.

7. Exploration and evaluation assets

Consolidated	2022 Cost $'000	2022 Impairment/ Deconsolidation $'000	2022 Carrying value $'000	2021 Cost $'000	2021 Impairment $'000	2021 Carrying value $'000
Exploration and evaluation	123,697	(113,350)	10,347	157,144	(33,576)	123,568

Reconciliation of exploration and evaluation assets

	Opening balance $'000	Additions $'000	Deconsolidation $'000	Exchange differences $'000	Impairment loss $'000	Total $'000
Consolidated – 2022						
Exploration and evaluation	123,568	129	(77,001)	(14,049)	(22,300)	10,347
Consolidated – 2021						
Exploration and evaluation	150,888	952	-	5,304	(33,576)	123,568

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The current balance relates to a number of areas of interest in Australia and South Africa. The carrying values of the Exploration Assets is assessed at every reporting period and even though there has been no change in intent or value in project value once developed, the Company has considered numerous other factors that affect the carrying value of these assets.

During the year ended 30 June 2022 due to a change in business strategy, the Group impaired a number of its South African exploration and evaluation assets and its remaining Australian exploration asset. The total impairment reported in the preliminary statement of profit or loss was $22.3 million.

The Groups interest in both Australian mining tenements and South African mining tenements remains unchanged from the consolidated annual financial report for the year ended 30 June 2021.

8. Borrowings

	Consolidated	
	2022 $ '000	2021 $ '000
Current borrowings		
Listed (Euroclear) bond	-	222,830
State Bank of India facilities	-	5,230
Convertible note facility	-	26,684
Prepayment facility	-	2,668
Overdraft	-	210
Standard Bank of South Africa facilities	12,073	15,150
	12,073	**272,772**
Non-current borrowings		
State Bank of India facilities	-	6,240
Standard Bank of South Africa facilities	24,847	35,584
	24,847	**41,824**

Listed (Euroclear) Bond

This facility was fully repaid in May 2022 with the repayment amount, including principal, interest (including special interest) and fees totaling US$198 million.

State Bank of India (SBI) facilities

Facility 1 (Clermont Houses) – The Company settled this facility early in June 2022.

Facility 2 (Excavator) – The Company settled this facility early in June 2022.

Convertible Note facility

As approved by shareholders at the 2019 AGM, the Company issued a convertible bond to Madison Pacific Trust Limited (with the initial noteholder being OCP Asia (Singapore) Pte. Limited (**OCP Asia**)) in the amount of US$20,000,000. The conversion price was AU$0.696 with an expiry of 24 December 2022.

In June 2022, OCP Asia gave notice to the Company to convert the full amount of the bond into TerraCom fully paid ordinary shares. On 16 June 2022, the Company issued 39,910,638 fully paid ordinary shares to OCP Asia, representing approximately 5% of total shares on issue at the time. The Convertible Bond Facility was reduced to nil on conversion.

Standard Bank of South Africa facilities

On 10 September 2020, UCEHSA entered into new financing agreement with The Standard Bank of South Africa (**SBSA**), acting through its Corporate and Investment Banking division, wherein UCEHSA and its operating partners would have access to a financing facility of up to ZAR 600 million.

Drawn funds from the facility bear interest at three-month JIBAR plus 3.9% per annum and this is serviced quarterly, following drawdown. Repayments of the capital commenced on 30 September 2021 and are to occur on a quarterly basis over 16 equal payments.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable, immovable, mining and surface rights in South Africa, as well as the equity holders of the operating subsidiaries have all pledged their shares as security in the operating subsidiaries to SBSA.

Given the deconsolidation of a number of the South African entities, a corresponding receivable has been recorded for the Group which reflects the portion of the SBSA loan where each South African entity is the ultimate borrower of funds, via UCEHSA. Refer note 4 – Trade and other receivables.

9. Provisions

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liability		
Annual leave	**3,192**	**3,360**
Non-current liability		
Rehabilitation	68,689	165,343
Long service leave	2,342	2,343
	71,031	**167,686**

Environmental rehabilitation provision

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the life of the estimated life of the mine (up to 25 years), which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon whichto estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates.

Reconciliation of provisions – 2022

	Opening balance	Deconsolidation $'000	Change in Estimate	Unwinding of discount	Exchange differences (3)	Total
Mine rehabilitation and closure	**$ '000**		**$ '000**	**$ '000**	**$ '000**	**$ '000**
Blair Athol	70,636	-	(6,834)	-	-	63,802
Kangala	4,178	-	-	-	(155)	4,023
New Clydesdale Colliery	40,693	(44,080)	-	826	2,561	-
North Block Colliery	37,292	(36,719)	-	1,480	(2,053)	-
Ubuntu Colliery	11,680	(11,928)	-	237	11	-
Australian exploration assets	864	-	-	-	-	864
	165,343	**(92,727)**	**(6,834)**	**2,543**	**364**	**68,689**

Reconciliation of provisions – 2021

	Opening balance	Change in Estimate	Unwinding of discount	Rehabilitation performed	Exchange differences	Total
Mine rehabilitation and closure		**$ '000**	**$ '000**	**$'000**	**$ '000**	**$ '000**
Blair Athol	69,542	541	553	-	-	70,636
Kangala	3,744	52	-	-	382	4,178
New Clydesdale Colliery	34,234	1,496	1,066	-	3,897	40,693
North Block Colliery	33,011	336	1,000	(448)	3,393	37,292
Ubuntu Colliery	3,407	7,344	115	-	814	11,680
Australian exploration assets	-	864	-	-	-	864
	143,938	**10,633**	**2,734**	**(448)**	**8,486**	**165,343**

A significant amount of the movement in the rehabilitation provision relates to the non-cash accounting adjustments (that is, no change in the underlying rehabilitation that is required to be completed):

10. Issued capital

Issued	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	797,851,601	754,607,630	365,462	335,657

Movement in ordinary share capital

Details	Date	Shares	Issue price	$'000
Opening Balance	1 July 2021	754,607,630	-	335,657
Ordinary shares issued to OCP Asia (Singapore) Pte Limited on conversion of USD20m convertible bond	16 June 2022	39,910,638	$0.696	28,909
Ordinary shares issued to Evolution Capital Pty Ltd following the exercise of unquoted options	16 June 2022	3,333,333	$0.35	1,165
Share issue costs net of tax		-	-	(269)
Closing Balance	**30 June 2022**	**797,851,601**		**365,462**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or Company was seen as value accretive relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2021 Annual Report.

11. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of a number of subsidiaries.

The Groups interest in subsidiaries remains unchanged from the consolidated annual financial report for the year ended 30 June 2021. Whilst the Group deconsolidated a number of South African entities during the period, as noted elsewhere in this report, there has been no economic or equity interest change for the equity holders of the Company.

12. Deconsolidation

The operating and management agreement for North Block Complex (Pty) Ltd (**NBC**) expired on 31 October 2021. From and after this date the direct operational management and control of NBC changed to the NBC board of directors, which is equally represented by shareholders as noted below:

- Ndalamo Resources (Pty) Ltd (51%) (**Ndalamo**) – 2 board representatives; and
- Universal Coal and Energy Holdings (Pty) Ltd (**UCEHSA**) (49%) – 2 board representatives (sole ultimate shareholder is TerraCom).

Given the loss of operating and management rights of NBC on 31 October 2021, as and from this date, the Group no longer has direct operational control as defined within *AASB10 Consolidated Financial Statements* (**AASB 10**). Given this, NBC has been deconsolidated by the Group and recorded as an investment in associate at fair value, at an interest of 49%, from 31 October 2021, the date in which it was determined in accordance with AASB 10 that control ceased.

Throughout the 2022 financial year, UCEHSA dealt with a number of matters with its Broad-based Black Economic Empowerment partner, Ndalamo, regarding the continued operation and management of its jointly held operations. As part of the process, UCEHSA agreed to changes to operational and management rights under existing agreements with Ndalamo in order to meet requirements with the Department of Mineral Resources and Energy (**DMRE**) in South Africa.

As a result of the collaborative discussions with the DRME, the Group relinquished unanimous control of a number of its South African entities. As a result of a change in voting rights brought about from these discussions, on and from 3 February 2022, TerraCom no longer had direct (unanimous) operational control, as defined within AASB10, of the following entities, a change to the previously held position whereby UCEHSA controlled all of these entities:

- Universal Coal Development III (Pty) Ltd (**Ubuntu**);
- Universal Coal Development IV (Pty) Ltd (New Clydesdale Colliery (**NCC**)); and
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) (indirect, Eloff is wholly owned by NCC).

As part of the assessment performed, it also became apparent that without further applications to the DMRE to amend the existing mining right lodgments for both Universal Coal Development II (Pty) Ltd (**Berenice**) and Universal Coal Development V (Pty) Ltd (**Cygnus**), UCEHSA would be unable to exercise its option to acquire further interest beyond its existing 50% interest. This change also resulted in a loss of control by UCEHSA of these entities, in accordance with AASB10.

Given the above, from 3 February 2022, the following named entities have been deconsolidated and recorded as an investment in associate at an interest equivalent to that noted.

- Universal Coal Development III (Pty) Ltd (**Ubuntu**) – 48.9%;
- Universal Coal Development IV (Pty) Ltd (New Clydesdale colliery (**NCC**)) – 49%;
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) – 49% (indirect, Eloff is wholly owned by NCC);
- Universal Coal Development II (Pty) Ltd (**Berenice**) – 50%; and
- Universal Coal Development V (Pty) Ltd (**Cygnus**) – 50%.

The loss of control under AASB 10 does not change the economic or equity interest TerraCom has in any entity as noted above and, in all instances, both prior to and subsequent to the date of control being lost, TerraCom has remained entitled to the economic returns of the entities commensurate with its shareholding interest.

12. Deconsolidation (continued)

The financial results for the entities deconsolidated by the Group up to the respective dates of deconsolidation are shown below:

Entity	**NBC**	**Berenice**	**Cygnus**	**NCC & Eloff**	**Ubuntu**	**Total**
Date of deconsolidation	**31 Oct 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	
Profit and loss	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	71,382	-	-	134,862	29,777	236,021
Cost of goods sold	(51,567)	-	-	(99,487)	(31,895)	(182,949)
Gross profit	**19,815**	**-**	**-**	**35,375**	**(2,118)**	**53,072**
Other operating and administrative expense	(6,704)	(18,824)	(2,710)	(4,100)	(1,200)	(33,538)
EBITDA	**13,111**	**(18,824)**	**(2,710)**	**31,275**	**(3,318)**	**19,534**
Depreciation and amortisation expense	(172)	-	-	(2,922)	(3,856)	(6,950)
Net finance expenses	(1,630)	-	-	(2,412)	(1,411)	(5,453)
Net profit before income tax expense	**11,309**	**(18,824)**	**(2,710)**	**25,941**	**(8,585)**	**7,131**
Income tax expense	(3,171)	-	-	(7,122)	2,339	(7,954)
Profit / (Loss) after income tax expense	**8,138**	**(18,824)**	**(2,710)**	**18,819**	**(6,246)**	**(823)**

The carrying value of the entities deconsolidated by the Group up until the date that control was lost has been indicated below:

Entity	**NBC**	**Berenice**	**Cygnus**	**NCC & Eloff**	**Ubuntu**	**Total**
Date of deconsolidation	**31 Oct 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	
Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	12,393	-	-	6,829	(627)	18,595
Trade and other receivables	21,574	-	-	37,465	20,528	79,567
Inventories	4,501	-	-	5,133	1,847	11,481
Property, plant and equipment	94,924	-	-	41,367	38,495	174,786
Exploration and evaluation	3,535	10,431	1,369	56,576	5,090	77,001
Total assets	**136,927**	**10,431**	**1,369**	**147,370**	**65,333**	**361,430**
Liabilities						
Trade and other payables	22,929	6	11	17,637	20,274	60,857
Provisions	36,719	-	-	44,080	11,928	92,727
Borrowings	3,515	-	-	33,107	8,437	45,059
Related party borrowings	-	-	-	-	19,089	19,089
Financial liabilities	-	-	-	198	-	198
Lease liabilities	-	-	-	-	90	90
Deferred consideration	-	-	-	-	736	736
Deferred tax	17,181	-	-	12,604	216	30,001
Total liabilities	**80,344**	**6**	**11**	**107,626**	**60,770**	**248,757**
				-		
Net assets	**56,583**	**10,425**	**1,358**	**39,744**	**4,563**	**112,673**
Equity						
Net assets	56,583	10,425	1,358	39,744	4,563	112,673
Non-controlling interest	(28,887)	(5,212)	(679)	(20,270)	(2,327)	(57,375)
	27,696	**5,213**	**679**	**19,474**	**2,236**	**55,298**

12. Deconsolidation (continued)

The cash flow results for the entities deconsolidated by the Group during the period to 30 June 2022 are shown below:

Entity	**NBC**	**Berenice**	**Cygnus**	**NCC & Eloff**	**Ubuntu**	**Total**
Date of deconsolidation	**31 Oct 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Net cash used in operating activities	22,956	22	-	10,604	(106)	33,476
Net cash from investing activities	(1,250)	-	-	(892)	(164)	(2,306)
Net cash used in financing activities*	(8,484)	(22)	-	(2,425)	(1,456)	(12,387)
Net increase in cash and cash equivalents	**13,222**	**-**	**-**	**7,287**	**(1,726)**	**18,783**

Entity	**NBC**	**Berenice**	**Cygnus**	**NCC & Eloff**	**Ubuntu**	**Total**
Date of deconsolidation	**31 Oct 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	**3 Feb 2022**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deconsolidation of carrying value	(27,696)	(5,213)	(679)	(19,474)	(2,236)	(55,298)
Recognition of the fair value	29,840	5,108	665	24,753	-	60,366
Gain / (loss) on deconsolidation	**2,144**	**(105)**	**(14)**	**5,279**	**(2,236)**	**5,068**

13. Contingent liabilities

There has been no change in the contingent liabilities of the Group as disclosed in its Consolidated Financial Report as at and for the year ended 30 June 2021.

14. Events after the reporting period

The Company's Executive Chairman, Craig Ransley, resigned on 8 July 2022. Mr Graeme Campbell was appointed as Non-executive Chairman on this date.

A final dividend of 10 cents per share (comprising an ordinary dividend of 7.5 cents per share and a special dividend of 2.5 cents per share) was declared by the Company's Board of Directors on 26 August 2022 for the financial year ended 30 June 2022. The dividend is unfranked, has a record date of 5 September 2022, and is payable on 16 September 2022. The ex-dividend date is 2 September 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.