

TERRACOM

TERRACOM LIMITED



# ANNUAL REPORT 2022



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## PEOPLE

<b>Directors</b>	Graeme Campbell (Non-executive Chairman)
	Danny McCarthy (Managing Director)
	Matthew Hunter (Non-executive Director)
	Shane Kyriakou (Non-executive Director)
	Glen Lewis (Non-executive Director)
<b>Executive Management</b>	Mark Lochtberg (Non-executive Director)
	Craig Lyons (Non-executive Director)
	Megan Etcell (Chief Financial Officer and Company Secretary)
	Nathan Boom (Chief Commercial Officer)

## CORPORATE INFORMATION

<b>Registered Office</b>	Blair Athol Mine Access Road Clermont, Queensland, 4721, Australia Telephone: +61 7 4983 2038
<b>Contact Address</b>	PO Box 131 Clermont, Queensland, 4721, Australia
<b>Website</b>	terracomresources.com
<b>Country of Incorporation</b>	Australia
<b>ABN</b>	35 143 533 537
<b>Stock Exchange Listing</b>	Australian Securities Exchange Ltd ASX Code: TER

## SERVICE PROVIDERS

<b>Share Registry</b>	Link Market Services Limited Level 12, 680 George Street Sydney, New South Wales 2000 Australia
<b>Telephone</b>	+61 1300 554 47
<b>Facsimile</b>	+61 2 9287 0303
<b>Email</b>	registrars@linkmarketservices.com.au
<b>Auditors</b>	Ernst & Young 200 George Street Sydney, New South Wales, 2000 Australia

## How to use this report

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Scan the QR code to download a PDF of the 2022 TerraCom Limited Annual Report.



# KEY HIGHLIGHTS



Record EBITDA<sup>1</sup>  
**\$423m**



Total<sup>2</sup> ROM production  
**12.6Mt**



**Dividend declared and paid**  
*Declaration and payment of 10c dividend (unfranked)*



**Record Coal Price**  
*Record average coal price of A\$403 per sold tonne achieved at Blair Athol for the June Quarter and A\$245 per sold tonne achieved for FY2022*



Total<sup>2</sup> coal sales  
**8.96Mt**



**Returns to shareholders**  
*The Board is committed to delivering returns to shareholders*

(1) EBITDA as per the consolidated statement of profit or loss for the year ended 30 June 2022 on page 54. This number includes gain on deconsolidation and impairment of assets. Both of these items are one-off and non-cash.

(2) the data represents total tonnes and assumes 100% ownership of the South African operations.

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# COMPANY OVERVIEW



## IN THIS SECTION

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# Chairman's letter to shareholders

## DEAR SHAREHOLDERS,

It is my pleasure to be able to present the TerraCom Limited (ASX: TER) (TerraCom or the Company) Annual Report for the year ended 30 June 2022.

Despite the continued challenges and uncertainties facing the global economy and our industry, the Company has continued to assess and adapt to a constantly changing working and global environment with a corresponding increase in demand for our product. Pleasingly, this demand has continued to intensify, with prices continuing to be well supported. Since the start of the pandemic, our operations have not suffered and our vigilance to strict health and safety protocols is the forefront of our success.

During the 30 June 2022 financial reporting period, a major milestone achievement for the Company was the finalisation of the Euroclear Bond facility which was fully repaid in May 2022. The Company paid in excess of US\$198 million (including principal, interest and fees) during a 9-month period resulting in a significantly improved balance sheet. The improved balance sheet allowed the Company to recommence dividends to shareholders with a final dividend of 10 cents per share being declared for the financial year ended 30 June 2022. The dividend was paid to shareholders on 19 September 2022. Future quarterly dividends will be declared as cashflow permits with relevant franking.



**“TerraCom reported record earnings for FY2022 and repositioned its balance sheet. The coal market remains buoyant and the Company is committed to delivering sustained returns to shareholders”**

The Board has mandated the completion of a capital management review report which will determine options related to effective use of and distribution of funds to underpin and grow shareholder value. Considerations will likely include possible on market share buy backs and/or capital returns, in concert with the foreshadowed franked dividend program. It is expected that announcement could be made after due consideration by

the Board at or before the forthcoming Annual General Meeting.

Whilst it is the primary objective of the Board to maintain a consistent and sustained dividend program to shareholders, as evidenced in the recent upgrade to the policy to return 60% to 90% of net profit after tax, further investment opportunities will be fully appraised. The focus will remain on Australian assets where the Company's expertise and infrastructure can best be leveraged.

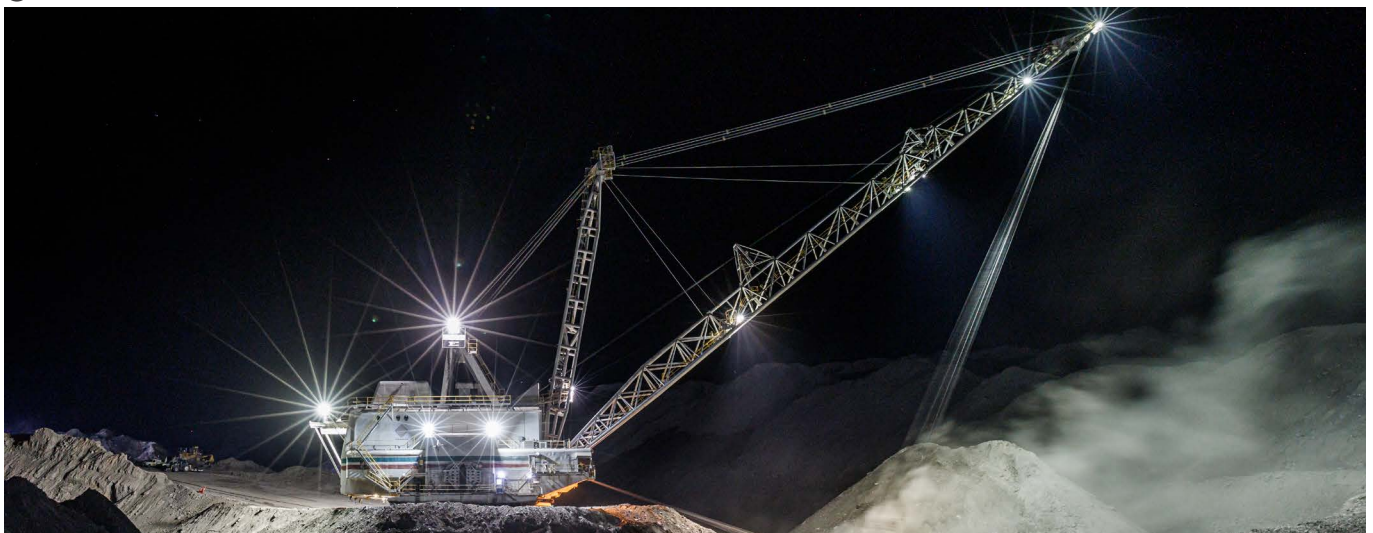
The South Africa investment through Universal Coal Plc is performing very strongly at present and the Board is continuing a review of those operations to determine an optimum position.

The Company is in a strong position to maximise earnings from its operations through a strong and committed Management team and employee group which will continue to increase shareholder value and returns.

Finally, I would like to thank my fellow Directors for their unified support to drive the Company forward with particular appreciation to Matthew Hunter, our Audit Committee Chair, who has elected to retire.

**Graeme Campbell**  
Non-executive Chairman

Blair Athol



# Managing director update

During the year in a very challenging and dynamic period for our workforce in Australia and South Africa, we saw extraordinary efforts applied to deliver some great results. Despite the skills shortages, increased competition for top talent, cost pressures and COVID-19 disruptions that were experienced across the operations, we adjusted our plans accordingly and strengthened our reputation of always delivering.

The safety and wellbeing of our people is fundamental to our success. Our outstanding safety performance with both TRIFR and LTIFR improving 26% and 19% respectively is clear evidence of our evolving safety culture, consistent with the Company's core values of People, Performance, Passion and Partnerships.

Our flagship Australian operation, Blair Athol, delivered superior results during the financial reporting period, this is reflective of the continued dedication of our people and I wish to personally thank them for their consistent efforts. Regardless of the many challenges encountered along the way, the operational result remained predictable, and the Blair Athol team once again delivered in excess of 2.3 million tonnes of export coal sales to customers during FY2022. The loyal customer base at Blair Athol remains strong and we thank them for their support and look forward to working with them and delivering a superior thermal coal product for many years to come.

The South African operations delivered coal sales of 6.6Mt<sup>2</sup> for the year, and strong export coal pricing throughout the



**“TerraCom delivered a fantastic result for FY22 with strong coal prices resulting in a record-high full year EBITDA result of \$423 million<sup>1</sup>. I am incredibly proud that the Company has continued to deliver across our global operations and that our culture of resilience remains strong.”**

second half of the year positively impacted the record full year operating EBITDA result of A\$134 million<sup>3</sup>. Notwithstanding the continued supply chain constraints and challenges faced by our South African operations, the Company continues to manage its plans to increase its SA export sales from both the North Block Complex and New Clydesdale Colliery.

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 moving forward. The Company is forecasting that the SA operations should deliver contracted quantities for the 2023 financial year given the stabilised demand levels.

We are a self-funded business currently focused on opportunities to lower the costs of production with the purpose of generating regular returns for our shareholders. We will continue to optimise mine life in our existing mines, invest in our people and in our business to maximise efficiencies. Our operational teams across Australia and South Africa have met the challenge to deliver a significantly stronger business with a bright outlook.

I would like to thank the TerraCom Board for their guidance and support, and my leadership team for their continued commitment to the operations of the business. Every one of TerraCom's employees, together with their families, work hard to maintain the high level of operations for the Group.

In FY23, we expect to deliver another strong year.

A handwritten signature in black ink, appearing to read 'Danny McCarthy'.

**Danny McCarthy**  
Managing Director

*(1) EBITDA as per the consolidated statement of profit or loss for the year ended 30 June 2022 on page 54. This number includes gain on deconsolidation and impairment of assets. Both of these items are one-off and non-cash.*

*(2) The data represents total tonnes and assumes 100% ownership of the South African operations.*

*(3) Non IFRS measure. Based on management accounts. Represents 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%. Refer to page 31 for further details.*





# Vision, purpose and values

## OUR VISION

To be recognised as a reliable global resources company that delivers sustainable returns to shareholders and partners.

## OUR PURPOSE

To operate assets in the resources and energy sector and create long term value for shareholders by being dynamic and innovative, building on our unique internal and external relationships, caring for and investing in our people and the community and operating with integrity and respect.

## OUR VALUES



### PEOPLE

We value safety and have an inclusive and respectful culture

We achieve the greatest outcomes through collaboration and teamwork

We are a respected employer within our industry

### PERFORMANCE

We always deliver and do what we say

We are accountable to all stakeholders

We strive for continuous improvement every day

### PASSION

Our innovation delivers a future for the industry

We continually find new ways to be leaders in sustainability of the mining sector

We are focused on maximising value for shareholders and the community

### PARTNERSHIPS

We are proactive with all stakeholders

We have dynamic alliances to ensure a skilled workforce and sustainable industry

Our strategic partnerships within the industry provide opportunities to benefit both shareholders and the community



# Current operations and project structure

## TerraCom Limited (ASX : TER)



### AUSTRALIA

#### OPERATIONS

Blair Athol

#### PROJECTS

Northern Galilee

Springsure



### SOUTH AFRICA

#### OPERATIONS

Kangala & Eloff Colliery

New Clydesdale Colliery

North Block Complex

Ubuntu Colliery

#### PROJECTS

Berenice Project

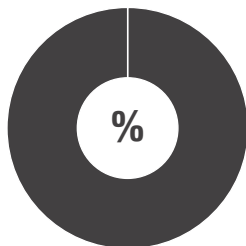
Cygnus Project

## OPERATIONS OVERVIEW

Operations	Commodity	Annual ROM Production	Life of Mine
<b>AUSTRALIA</b>			
Blair Athol	Thermal Coal	2.8	Approximately 9 years at current operational run rate
<b>SOUTH AFRICA #</b>			
Kangala and Eloff	Thermal Coal	3.2	10-year Eloff extension fully permitted subject to finalisation of domestic sales contract
NCC	Thermal Coal	4.4	12 years
NBC	Thermal Coal	5.1	8 years
Ubuntu	Thermal Coal	1.2	5 years

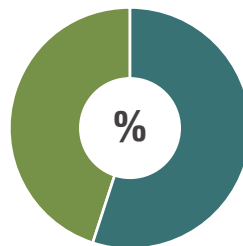
#subject to coal sales contracts

### CURRENT COMMODITY COMPOSITION



■ Thermal coal **100%**

### CURRENT SALES PROFILE



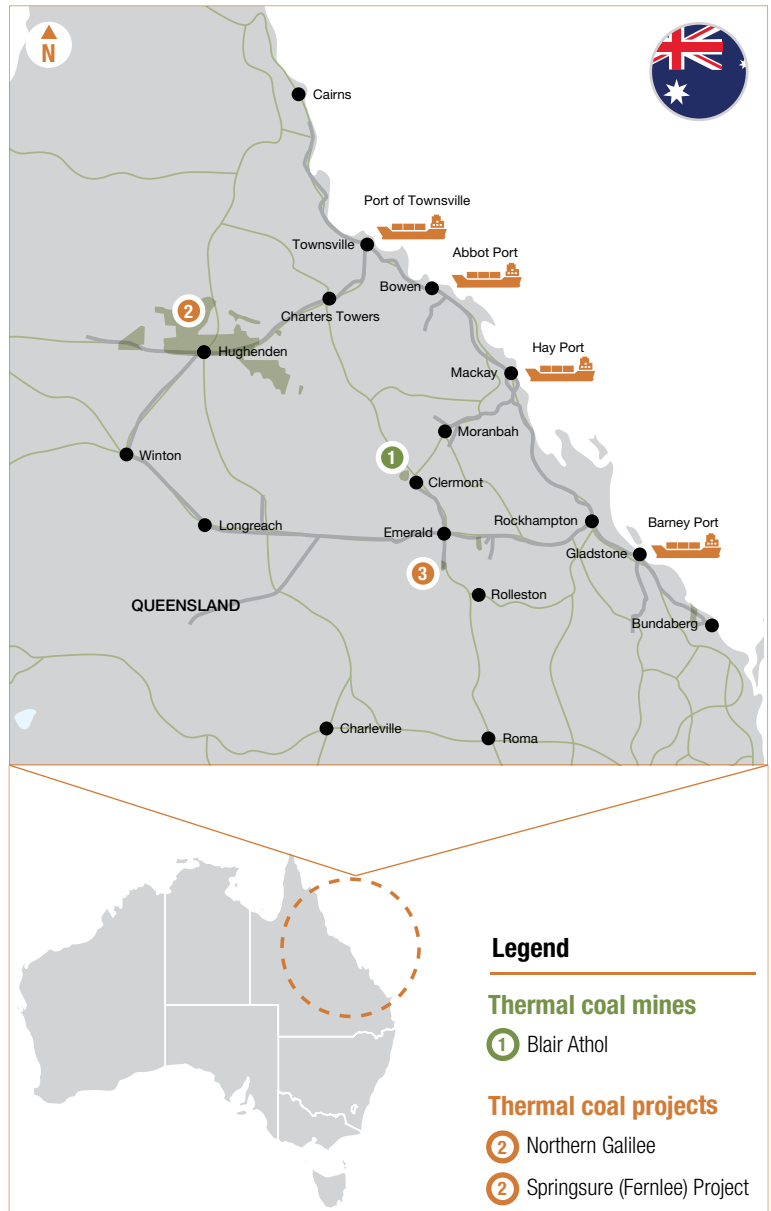
■ Domestic thermal coal **55%**  
■ Export thermal coal **45%**

# Current operations and project structure continued

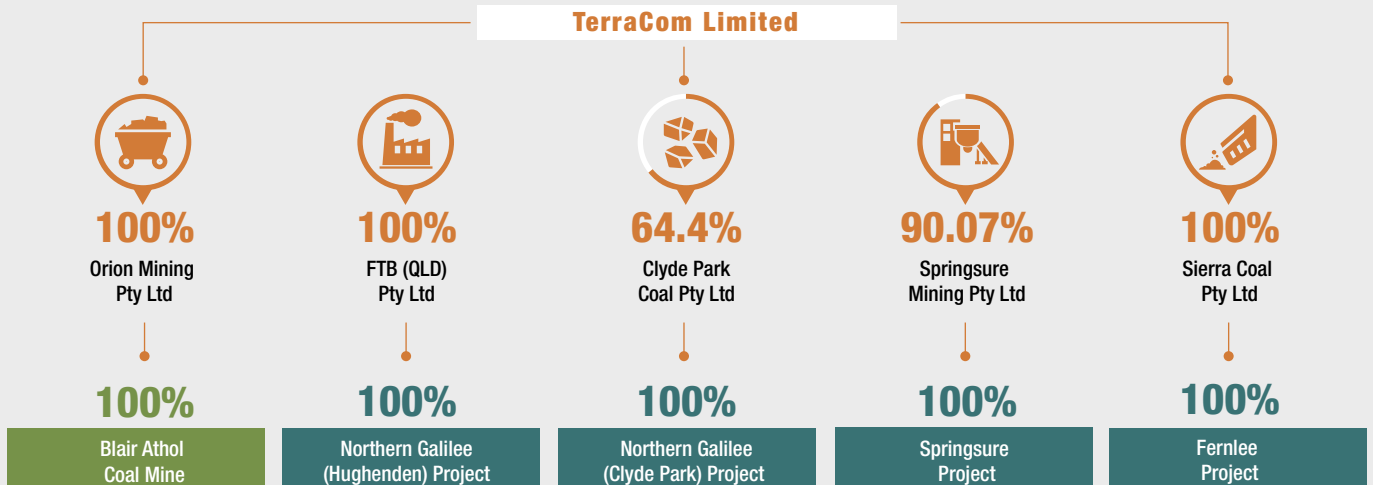
## LOCATION OF OPERATIONS Australia

TerraCom acquired its flagship Blair Athol Coal Mine, located in Clermont Queensland, in 2017. Since the acquisition, the Company has successfully restarted operations and now exports over 2 million tonnes per annum of high quality thermal coal. Rehabilitation at the site is progressive and forms part of the ongoing mining operations.

Blair Athol



### TerraCom Limited



LEGEND ■ Subsidiary ■ Operation ■ Project

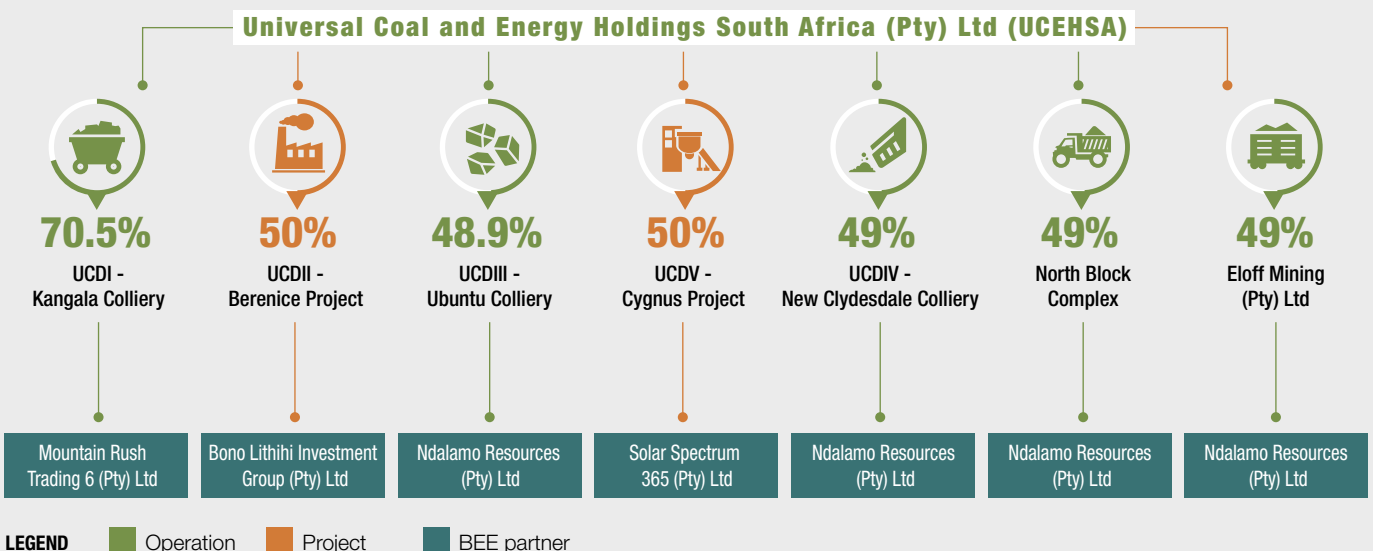
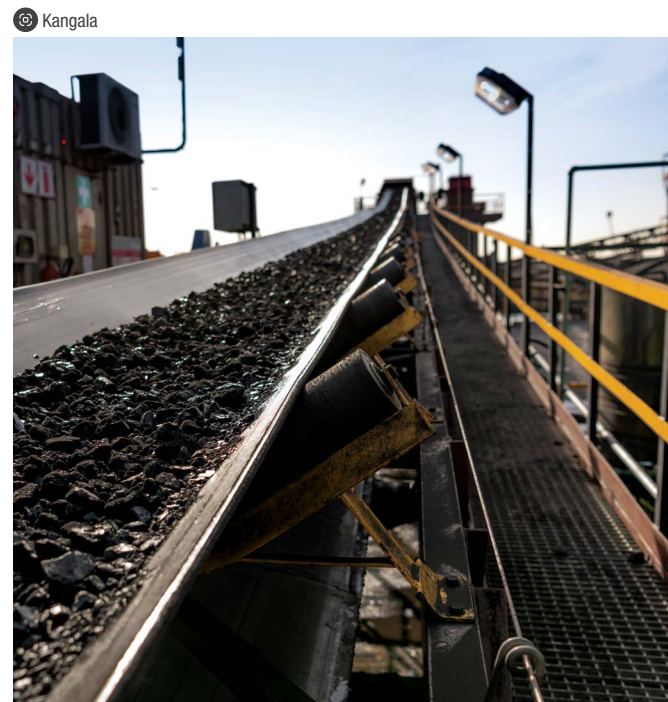
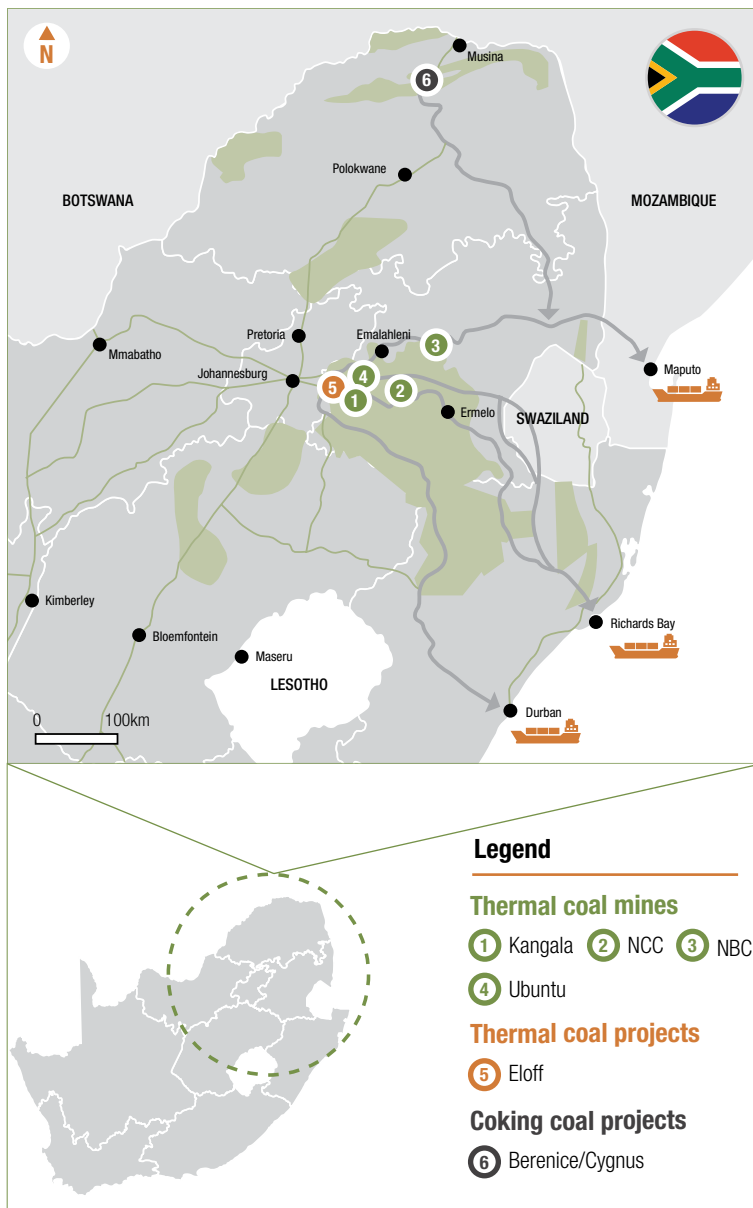


# Current operations and project structure continued

## LOCATION OF OPERATIONS South Africa

TerraCom, via its 100% ownership of Universal Coal Plc (Universal), holds an interest in a portfolio of producing, development and exploration assets located across South Africa's major coalfields.

The South African operations provide domestic quality coal to Eskom (South Africa's government owned power utility) and also provide export coal to customers via the Richards Bay port.



# Current mining tenements held



## AUSTRALIA

Tenement number	Operation/project	Location	%
ML 1804	Blair Athol	Blair Athol, Queensland, Australia	100.00
EPC 1260	Northern Galilee (Clyde Park)	Charter Towers, Queensland, Australia	64.40
EPC 1300	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 1394	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 1477	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 1478	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 1641	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 2049	Northern Galilee (Hughenden)	Charter Towers, Queensland, Australia	100.00
EPC 1890	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100.00
EPC 1892	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100.00
EPC 1893	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100.00
EPC 1962	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100.00
EPC 1964	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100.00
EPC 1674	Springsure (Springsure)	Emerald, Queensland, Australia	90.07
MDL 3002	Springsure (Springsure)	Emerald, Queensland, Australia	90.07
EPC 1103	Springsure (Fernlee)	Emerald, Queensland, Australia	100.00



# Current mining tenements held continued



## SOUTH AFRICA

Tenement number	Operation/project	Location	%
MP30/5/1/2/2/429MR	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.50
MP30/5/1/1/2/641PR	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.50
LP30/5/1/1/2/376PR	Berenice Project*	Waterpoort, Limpopo Province, South Africa	50.00
MP30/5/1/2/2/10027MR	Ubuntu Colliery*	Delmas, Mpumalanga Province, South Africa	48.90
MP30/5/1/1/2/429MR	New Clydesdale Colliery*	Kriel, Mpumalanga Province, South Africa	49.00
MP30/5/1/2/2/10169MR	Eloff Project*	Delmas, Mpumalanga Province, South Africa	49.00
MP30/5/1/2/1/326MR	North Block Complex Colliery*	Belfast, Mpumalanga Province, South Africa	49.00
MP30/5/1/1/2/19MR (10068MR)	North Block Complex Colliery*	Belfast, Mpumalanga Province, South Africa	49.00
MP30/5/1/2/2/10090MR	North Block Complex Colliery*	Belfast, Mpumalanga Province, South Africa	49.00
LP30/5/1/1/2/1276PR	Cygnus Project*	All Days (Waterpoort) Limpopo Province, South Africa	50.00

\* held through equity accounted investment

# JORC RESOURCES AND RESERVES STATEMENT





# JORC resources and reserves statement continued

# AUSTRALIA



Mineral Resources and Ore Reserves estimates are reported in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2012 as required by the ASX.

## JORC Reserves – Australia (as at 30 June 2022)

Location	Status	Licence Number	Commodity	Proved	Probable	2022 Financial Year Total <sup>#</sup>	2021 Financial Year Total	Report Date	
<b>Recoverable Reserves – JORC 2012</b>									
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	7.0	16.0	23.0	24.8	23 August 2021
<b>Marketable Reserves – JORC 2012</b>									
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	5.7	12.4	18.1	19.5	23 August 2021

<sup>#</sup> due to rounding of reported figures, not all totals may reconcile to the sum of the reported components.

## COMPETENT PERSONS STATEMENT

### Annual Coal Reserves summary

The information in this report relating to Coal Reserves is based on information compiled by Mr Ian Neilsen who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Deswik Mining Consultants Pty Ltd.

Ian Neilsen is a qualified Mining Engineer and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.”

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements relating to drill results, resource estimates or studies and that all material assumptions and technical parameters underpinning the drill results

and estimates in the relevant market announcements continue to apply and have not materially changed.

### Blair Athol – Reserves

The information in this report relating to Coal Reserves for Blair Athol was announced on 23 August 2021, titled “TerraCom Blair Athol Mine Life Extended to 10 years” and is based on information compiled by Mr Ian Neilsen who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Deswik Mining Consultants Pty Ltd.

Ian Neilsen is a qualified Mining Engineer and has sufficient experience which is

relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.”

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 23 August 2021; and that all material assumptions and technical parameters in the announcement made on 23 August 2021 continue to apply and have not materially changed.

Blair Athol



# JORC resources and reserves statement continued

## JORC Resources – Australia (as at 30 June 2022)

			Licence Number	Commodity	Measured	Indicated	Inferred	2022 Financial Year Total	2021 Financial Year Total	Report Date
<b>JORC 2012</b>										
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	21.3	3.6	0.2	25.1	39.1	06 December 2018
<b>JORC 2004</b>										
Springsure <sup>(1)</sup>	Southern Bowen Basin, Springsure, Queensland, Australia	Exploration	MDL3002; EPC1674	PCI Coal and Thermal Coal	–	43	148	191	191	29 November 2013
Hughenden	Galilee Basin, Hughenden, Queensland, Australia	Exploration	EPC1300; EPC1394; EPC1477; EPC1478; EPC1641; EPC2049;	Thermal Coal	–	133	1,076	1,209	1,209	8 February 2013
Clyde Park <sup>(2)</sup>	North Eastern Galilee Basin, Hughenden, Queensland, Australia	Exploration	EPC1260	Thermal Coal	–	51	677	728	728	8 February 2013
<b>Total JORC</b>					<b>21.3</b>	<b>230.6</b>	<b>1,901.2</b>	<b>2,153.1</b>	<b>2,167.1</b>	

<sup>(1)</sup> Figures shown are 100% of the total resources. TerraCom's ownership is 90.07%.

<sup>(2)</sup> Figures shown are 100% of the total resources. TerraCom's ownership is 64.40%.

## COMPETENT PERSONS STATEMENT

### Blair Athol – Resources

The estimates of coal resources herein have been prepared in accordance with the guidelines of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code'. These resources are inclusive of the reserves reported in the Reserves Statement.

The company has used its significant working knowledge of the Blair Athol resource and together worked with Mr Greg Jones to update the original report relating to coal resources for Blair Athol which was announced on

6 December 2018, titled "JORC Resource Confidence Upgrade – Blair Athol". Compared to the 30 June 2018 JORC Resource position, the Blair Athol JORC Resource as at 30 June 2022 has been reduced by 20 million tonnes. The updated position reflects depletion due to mining (8Mt) and also excludes a high strip ratio area to the north of the mine unlikely to be exploited (and therefore already excluded from published Reserve reporting) (9Mt) and relies on updated drill hole and seam correlation data gathered through a more intimate understanding of the resource (3Mt). The company is pleased to report a high level of resource to reserve conversion (ROM tonne basis) of 92%

with more than 84% within the Measured Resource category.

The Blair Athol JORC Resource has been updated by Mr Greg Jones, who completed the previous report as announced on 6 December 2018, titled "JORC Resource Confidence Upgrade - Blair Athol". The updated information at 30 June 2022 is based on information compiled by Mr Greg Jones who is a Principal Consultant of JB Mining Services Pty Ltd. Mr Jones is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent

# JORC resources and reserves statement continued

Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code”.

## Clyde Park – Resources

The information in this report relating to coal resources for Clyde Park was announced on 8 February 2013, titled “Mongolia and Queensland Update”. This is based on information compiled by Ms Kim Maloney who is previously Senior Resource Geologist of Moultrie Geology. Ms Maloney has experience within the Central Queensland coal mines and has held various roles in these mine’s Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a Competent Person for coal as defined by the JORC Code (2004). Ms Maloney is a Senior Resource Geologist, previously with Moultrie Geology. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Ms Maloney is a Member of The Australasian Institute of Mining & Metallurgy (#229120) and a Member of the Bowen Basin Geological Group.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on

8 February 2013; and that all material assumptions and technical parameters in the announcement made on 8 February 2013 continue to apply and have not materially changed.

## Springsure – Resources

The information in this report relating to coal resources for Springsure was announced on 29 November 2013, titled “Maiden Springsure JORC Indicated Resource”. This is based on information compiled by Ms Kim Maloney who is previously Senior Resource Geologist of Moultrie Geology. Ms Maloney has experience within the Central Queensland coal mines and has held various roles in these mine’s Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a Competent Person for coal as defined by the JORC Code (2004). Ms Maloney is a Senior Resource Geologist, previously with Moultrie Geology. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Ms Maloney is a Member of The Australasian Institute of Mining & Metallurgy (#229120) and a Member of the Bowen Basin Geological Group.

The Company confirms that it is not aware of any new information or data that materially affects the information

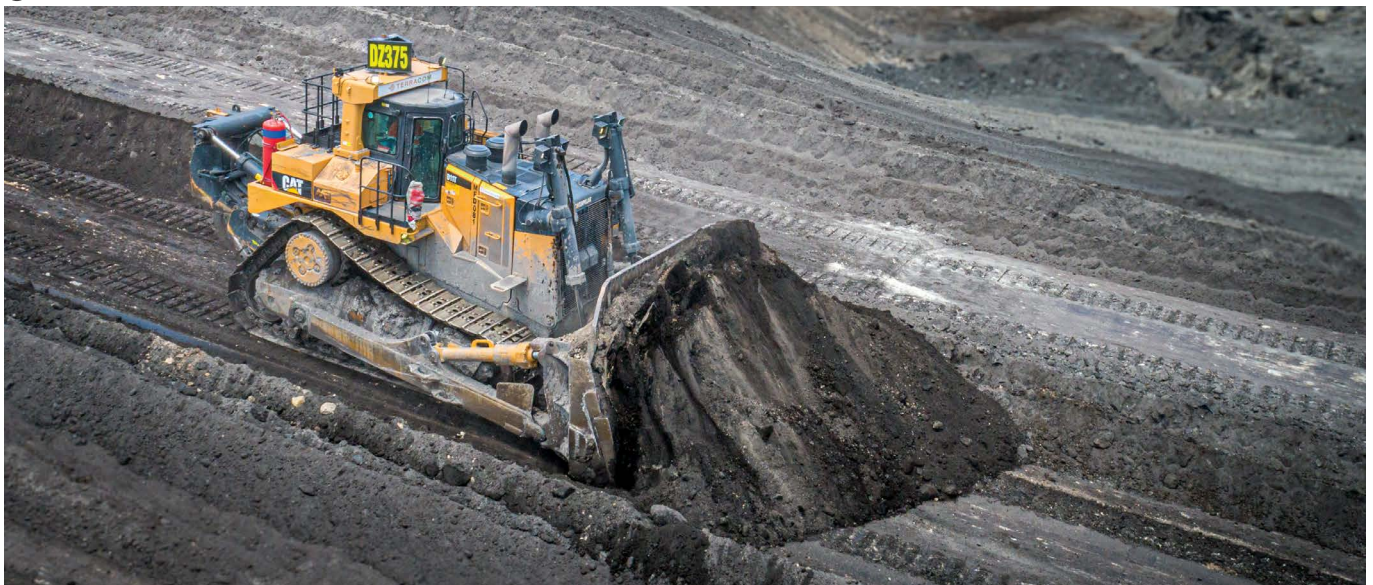
included in the announcement on 29 November 2013; and that all material assumptions and technical parameters in the announcement made on 29 November 2013 continue to apply and have not materially changed.

## Hughenden – Resources

The information in this report relating to coal resources for Hughenden was announced on 8 February 2013, titled “Mongolia and Queensland Update”. This is based on information compiled by Mr Mark Briggs who is previously Principal Geologist of Moultrie Database and Modelling. Mr Briggs is a member of the Australasian Institute of Mining and Metallurgy (Member #107188) and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 8 February 2013; and that all material assumptions and technical parameters in the announcement made on 8 February 2013 continue to apply and have not materially changed.

© Blair Athol





# JORC resources and reserves statement continued

# SOUTH AFRICA



## JORC Resources and Reserves – South Africa (as at 30 June 2022)

Deposit	Location	Licence Number	Status	Commodity
<b>Thermal Coal</b>				
Kangala Colliery – Wolwenfontein	Delmas. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/429MR	Valid Mining Right	Thermal Coal
Kangala Colliery – Middelbuit		Mining Right application MP30/5/1/1/2/10179MR	Granting of Mining Right pending In progress	
New Clydesdale Colliery*	Kriel. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/429MR	Valid Mining Right	Thermal Coal
Ubuntu Colliery*	Delmas.Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/10027MR	Valid Mining Right	Thermal Coal
North Block Complex* – Glisa Paardeplaats Eerstellingsfontein	Belfast. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/1/326MR Mining Right: MP30/5/1/1/2/19MR (10068MR) Mining Right: MP30/5/1/2/2/10090MR	Valid Mining Right	Thermal Coal
Eloff Project	Delmas. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/10169MR	Mining Right granted and executed. Registration of the mining right is underway.	Thermal Coal
<b>Sub-total</b>				
<b>Coking Coal</b>				
Berenice/ Cygnus Project*	Waterpoort. Limpopo Province. South Africa	Mining Right: LP30/5/1/1/2/10131MR  Mining Right application LP30/5/1/1/2/10169MR	Granting of Mining Right pending due to an appeal against issuance of Environmental Authorisation. In progress  Mining Right Application lodged and accepted. Granting of Mining right pending. In progress	Thermal Coal/ Metallurgical Coal
<b>Total thermal and coking coal</b>				

RESERVE  
SUMMARY

<sup>(1)</sup> Reduction in Reserves on all operations from July 2021 to end June 2022 is due to production.

<sup>(2)</sup> 8.5Mt material increase in NCC Reserves due to (i) the inclusion of 5.5Mt – No.4 seam UG reserves, (ii) Middeldrift road relocation – increasing reserves by 4.0Mt, and (iii) change in No. 1A seam UG layout decreasing reserves by 0.9Mt

\* held through equity accounted investment

# JORC resources and reserves statement continued

Proved Mt	Probable Mt	2022 Financial Year Total <sup>(1)</sup>	2021 Financial Year Total	Measured Mt	Indicated Mt	Inferred Mt	2022 Financial Year Total <sup>(3)</sup>	2021 Financial Year Total	TerraCom interest %	Report Date
-	-	-	-	47.3	15.0	32.3	94.6	94.6	70.5	12 October 2017
46.8	-	46.8 <sup>(2)</sup>	42.8	70.6	31.4	7.7	109.7	115.6	49.0	27 April 2017
6.1	-	6.1	7.7	28.6	39.4	4.7	72.7	74.1	48.9	13 January 2015
29.7	11.3	41.0	44.5	74.6	8.5	5.3	88.4 <sup>(4)</sup>	75.6	49.0	12 December 2018
-	-	-	-	11.8	266.0	250.6	528.4	528.4	49.0	9 July 2017 + 20 March 2019 (correction)
82.7	11.3	94.0	95.0	232.9	360.3	300.6	893.8	888.3		
-	-	-	-	424.9	800.9	124.3	1,350.1	1,350.1	50.0	23 February 2013
-	-	-	-	424.9	800.9	124.3	1,350.1	1,350.1		
82.6	11.3	93.9	95.0	657.9	1,161.3	424.9	2,243.9	2,238.4		

RESOURCE  
SUMMARY

<sup>(3)</sup> Normal reduction in Resources on all operations from July 2021 to end June 2022 is due to production.

<sup>(4)</sup> 7.75 Mt material gain in NBC Resources due to in-fill exploration drilling towards the South and North-East of the tenement (drilled 42 boreholes over a two year period and updated the Paardeplaats geological and mining estimation and scheduling models) - reclassification and estimation of NBC Resources.

# JORC resources and reserves statement continued

## RESOURCES SUMMARY

### JORC Reserves – South Africa (as at 30 June 2022)

		Ore reserves					
		2022	2022	2022	2021	2021	2021
		Financial Year	Financial Year	Financial	Financial Year	Financial Year	Financial Year
		Proved	Probable	Year Total	Proved	Probable	Total
		(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)
<b>Reserves at Operating Mines</b>							
Kangala	O/C	–	–	–	–	–	–
NCC	O/C & U/G	46.8	–	46.8	36.9	5.9	42.8
NBC	O/C	29.7	11.3	41.0	44.5	–	44.5
Ubuntu	O/C	6.1	–	6.1	7.7	–	7.7
<b>Total #</b>		<b>82.7</b>	<b>11.3</b>	<b>94.0</b>	<b>89.1</b>	<b>5.9</b>	<b>95.0</b>

# due to rounding of reported figures, not all totals may concile to the sum of the reported components

		Marketable ore reserves	
		2022	2021
		Financial Year	Financial Year
		(Mt)	(Mt)
<b>Reserves at Operating Mines</b>			
Kangala	O/C	–	–
NCC	O/C & U/G	30.6	35.5
NBC	O/C	22.5	29.6
Ubuntu	O/C	5.8	7.1
<b>Total</b>		<b>59.0</b>	<b>72.2</b>

		Universal Coal share at 30 June 2022		
		Interest	Ore reserves	Marketable
		%	(Mt)	ore reserves
				(Mt)
<b>Reserves at Operating Mines</b>				
Kangala	O/C	70.5	–	–
NCC	O/C & U/G	49.0	22.9	15.0
NBC	O/C	49.0	20.1	11.0
Ubuntu	O/C	48.9	3.0	2.9
<b>Total</b>			<b>46.0</b>	<b>28.9</b>



# JORC resources and reserves statement continued

## COMPETENT PERSONS STATEMENT

### Kangala – Resources and Reserves

The Coal Resource estimate for Kangala was prepared by Mr Simon Mokitimi who is a registered natural scientist and member of the South African Council for Natural Scientific Professions (recognised Overseas Professional Organisation). Mr Mokitimi is employed by Universal Coal Energy Holdings SA (Pty) Ltd. He has sufficient experience relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

### New Clydesdale Colliery – Resources and Reserves

The Coal Resource estimate for NCC was prepared by Mr Simon Mokitimi and Ms Nthabiseng Masunyane who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Mokitimi and Ms Masunyane are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this

document of this information in the form and context in which it appears.

The NCC Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Pieter Coetser. Mr Phillip van Vuuren is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Coetser have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Coetser consent to the inclusion in this report of this information in the form and context in which it appears.

### North Block Complex – Resources and Reserves

The Coal Resource estimate for North Block Complex was prepared by Mr Simon Mokitimi and Ms Lydia Tseka who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Mokitimi and Ms Tseka are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

The North Block Complex Coal Reserve estimate was prepared by Messrs Phillip van Vuuren, Gideon Joubert and Bongani Langa. Mr Phillip van Vuuren is a member of SAIMM (Overseas Professional Organisation) and is employed by Mining Resource Consulting (Pty) Ltd. Mr van Vuuren and Kemp have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Kemp consent to the inclusion in this report of this information in the form and context in which it appears.

### Ubuntu Project – Resources and Reserves

The Coal Resource estimate for Ubuntu was prepared by Messrs Simon Mokitimi and Sipesishle Mncamase who are registered natural scientists and members of the South African Council for Natural Scientific Professions (recognised Overseas Professional Organisation). Messrs Mokitimi and Mncamase are employed by Universal Coal Energy Holdings SA (Pty) Ltd.

They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

 New Clydesdale Colliery



# JORC resources and reserves statement continued

 Kangala



The Ubuntu Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and PJ Coetzer. Mr Phillip van Vuuren, is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Coetzer have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Coetzer consent to the inclusion in this report of this information in the form and context in which it appears.

## **Eloff Project – Resources and Reserves**

The Coal Resource estimate for the Eloff Project was prepared by Messrs Nico Denner, who is a registered natural scientist and member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

## **Berenice and Arnot South – Resources**

The Coal Resource estimate for Berenice and Arnot South was prepared by Mr Nico Denner, who is a registered natural scientist and member of the South African Council for Natural Scientific Professions (recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.



# DIRECTOR'S REPORT



## IN THIS SECTION

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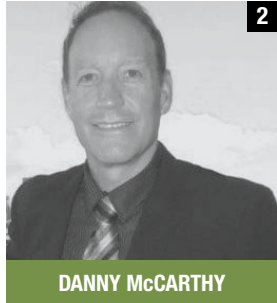
# Principal activities

The principal activity of TerraCom Limited and its controlled entities (the 'Group') during the period was the development and operation of coal mines in Queensland, Australia and South Africa. In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year that have not been noted in the review of operations.

## Directors



**GRAEME CAMPBELL**



**DANNY McCARTHY**



**MATTHEW HUNTER**



**MARK LOCHTENBERG**

### 1. GRAEME CAMPBELL

#### Non-executive Chairman

#### Chair of Remuneration Committee

Appointed 28 January 2022

Graeme has over 40 years' experience in corporate advisory and is a former Director of Ferrier Hodgson, Chartered Accountants, a leading independent financial advisory and restructuring provider. In 2005 Graeme left Ferrier Hodgson to start up Campbell Advisory which provides wide ranging advice to participants within the Club and hotel industries together with the major Banks and other funders.

Graeme's reputation and skills in the hospitality sector regularly leads him to being retained by financial institutions and industry participants to advise in respect to hospitality matters. With a strong understanding of commercial and compliance drivers, Graeme has extensive experience across a number of Independent Director and Chairman positions on public, private and not for profit boards where he brings strong leadership and governance.

Graeme is a Lead Independent Director and Audit Committee Chairman of Ainsworth Game Technology Limited (ASX: AGI), Independent Director of Liquor Marketing Group (Bottlemart) and Chairman of Harness Racing Australia. Mr Campbell is also a member of the Australian Institute of Company Directors.

Former ASX Directorships in the last three years: Chairman of the Lantern Hotel Group Limited (ASX:LTN)

### 2. DANNY McCARTHY

#### Managing Director

#### Member of HSEC Committee

Appointed 1 April 2021

Chief Executive Officer from 1 December 2018 to 31 March 2022.

Danny McCarthy is a highly experienced and well-regarded mining executive having held senior executive roles with Thiess, Wesfarmers (ASX: WES), QCoal and Mineral Resources Limited (ASX: MIN) and has a proven record of delivering extraordinary results over 26-years in the mining, minerals processing and resources sector. Prior to joining TerraCom as CEO in December 2018, for over 2.5 years, Mr McCarthy held the role of Chief Operating Officer for the highly regarded, West Australian based, commodity producer and mining services company Mineral Resources Limited. During his time as COO at MIN, he oversaw the successful implementation of MIN's strategic growth initiatives which included the development of the world class Wodgina open cut lithium mine.

Mr McCarthy brings a wealth of experience to TerraCom, providing exceptional leadership with a strong commercial focus and operational background with expertise in the development and implementation of business strategy, construction, mining and minerals processing across a wide range of commodities.

Former ASX listed directorships in the last three years: Nil

### 3. MATTHEW HUNTER

#### Non-executive Director

#### Chair of Audit Committee

Appointed 18 January 2018

Matthew Hunter has more than 25 years' experience in the finance and investments industries, with over 15 years' experience in principal investment.

Mr Hunter founded Rivendell Capital in 2016 to provide investment and mergers and acquisitions advisory services, and undertake private equity investments. Prior to founding Rivendell Capital, Mr Hunter was a Managing Director of The Carlyle Group. He also served on the

Board as a Non-Executive Director of both Coates Hire and Healthscope, two of the largest private equity transactions undertaken in Australia at the time.

Mr Hunter is a consultant to OCP Asia. He is presently also Chairman of Emay Pty Ltd and Non-Executive Director of MediRent, Bothar Group, National Group and MP Water.

Former ASX listed directorships in the last three years: Silver Heritage Group Limited (appointed December 2016), resigned March 2020.

### 4. MARK LOCHTENBERG

#### Non-executive Director

Appointed 28 January 2022

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, UK and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX Listed Cockatoo Coal Limited. He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal.

Prior to this, Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited. Mr Lochtenberg is currently Chairman of ASX Listed silver and gold producer Equus Mining Limited (ASX: EQE), ASX Listed Nickel Industries Ltd. (ASX: NIC) and Chairman of Montem Resources Limited.

Former ASX Directorships in the last three years: Nil

# Directors continued



GLEN LEWIS

## 5. GLEN LEWIS

### Non-executive Director

#### Chair of HSEC Committee

#### Member of Remuneration Committee

Appointed 23 December 2019

Glen Lewis is a qualified Coal Mine Manager and has worked in the Coal Industry since 1980. Throughout his career he worked at all levels of Management inclusive of 10 years as an Undermanager at various operations including United Colliery and Dartbrook Coal where he was part of the Management Team for the construction of both projects. In 1997 he commenced as Mine Manager at Cumnock Coal and in 1999 was promoted to Operations Manager at Oceanic Coal (consisting of West Wallsend and Teralba underground mines and Westside opencut operation) following its acquisition by Xstrata Coal.

Mr Lewis was promoted to the role of General Manager Eastern Underground Operations for Xstrata Coal NSW in 2003 and was then responsible for United Collieries, Cumnock Coal and Oceanic Coal. Continuing with Xstrata Coal NSW, he was promoted to General Manager Operations with overall responsibility for 6 operating mines and several projects under construction. Mr Lewis commenced with NuCoal Resources Ltd (ASX: NCR) in 2010 as Managing Director overseeing the listing, capital raising, exploration and feasibility studies for a number of mining projects in the



CRAIG LYONS

Hunter Valley. Mr Lewis stepped down from the position of Managing Director in 2017 and remains a Non-Executive Director of NuCoal.

Former ASX listed directorships in the last three years: Nil

## 6. CRAIG LYONS

### Independent, Non-executive Director

#### Member of Audit Committee and Remuneration Committee

Appointed 14 July 2020

Craig Lyons is an experienced and accomplished investment banker and businessman with extensive strategic, management and finance experience in various industries, having built and led a number of leading businesses in Southern and West Africa. He actively participates as a chairman/director and/or investment committee member on various company boards, committees and investment funds.

Mr Lyons currently champions a number of investments in South Africa and Africa for companies requiring his independent analysis, views and injection of creative energy, financial acumen, strategic guidance and access to a broad network of relationships.

Mr Lyons worked for Standard Corporate and Merchant Bank (Investment Banking) prior to co-founding Mvelaphanda Strategic Investments (Pty) Ltd where he was responsible for building and managing its investment portfolio of financial services, property, infrastructure, resources,



SHANE KYRIAKOU

technology, telecommunications, engineering, healthcare and engineering assets and investments. As CEO, he built Mvelaphanda into one of the leading investment houses in South Africa with assets in excess of R28 billion.

Former ASX listed directorships in the last three years: Nil

## 7. SHANE KYRIAKOU

### Non-executive Director

#### Member of Audit Committee and HSEC Committee

Appointed 7 September 2020

Shane Kyriakou is a lawyer with more than twenty years of experience in the energy and resources sector. For the last 13 years Shane was a corporate partner at global law firms Herbert Smith Freehills and Ashurst, ultimately holding the role as Ashurst's Global Head of Power. His experience covers mergers and acquisitions, greenfield developments and expansions, fundraising, financing and general corporate advisory.

Mr Kyriakou has been involved in projects across virtually every major mining or petroleum basin in Australia as well as many offshore – Pilbara iron ore, LNG on the North West Shelf, the east coast and Timor Sea, Galilee and Surat Basin coal, Hunter Valley thermal coal, Cadia basin gold, Bass Strait petroleum and South Australia's copper/uranium basin.

In recent years, a significant part of Mr Kyriakou's work has been associated with inbound resources sector investment by offshore investors. He lived in the UK and then Asia for a number of years and worked at length with some of the largest capital outbound groups from Japan, Korea and China. He maintains a network of contacts and now privately advises clients on opportunities in the resources and power sectors.

Former ASX listed directorships in the last three years: Nil



### DIRECTORS WHO RESIGNED IN 2022

#### CRAIG RANSLEY

**Executive Chairman**

Resigned 8 July 2022

Craig Ransley was the founder of TerraCom (then Guilford Coal Limited) and re-joined the Board as Deputy Chairman in February 2020. Throughout his time with the Company Mr Ransley was instrumental in working with the Board to restructure the Company and its balance sheet and was also an integral part of TerraCom's expansion into emerging markets.

Mr Ransley is a qualified Fitter and Machinist (trade qualified) and has a broad entrepreneurial background. He was the driving force in building a number of companies and has extensive experience in the labour hire and service industries, being a founder and Managing Director of the TESA Group Pty Limited which sold to the Skilled Group in 2006 for \$63 million. In addition to founding TerraCom, Mr Ransley also founded NuCoal Resources Limited and was actively involved in its listing on the ASX in 2010.

Former ASX listed directorships in the last three years: Non-Executive Director, Universal Coal plc (was ASX listed until July 2020) (appointed December 2019).



DANNY McCARTHY

### 1. DANNY McCARTHY

**Managing Director**

Danny McCarthy is a highly experienced and well-regarded mining executive having held senior executive roles with Thiess, Wesfarmers (ASX: WES), QCoal and Mineral Resources Limited (ASX: MIN) and has a proven record of delivering extraordinary results over 26-years in the mining, minerals processing and resources sector. Prior to joining TerraCom as CEO in December 2018, for over 2.5 years, Mr McCarthy held the role of Chief Operating Officer for the highly regarded, West Australian based, commodity producer and mining services company Mineral Resources Limited. During his time as COO at MIN, he oversaw the successful implementation of MIN's strategic growth initiatives which included the development of the world class Wodgina open cut lithium mine.

Mr McCarthy brings a wealth of experience to TerraCom, providing exceptional leadership with a strong commercial focus and operational background with expertise in the development and implementation of business strategy, construction, mining and minerals processing across a wide range of commodities.

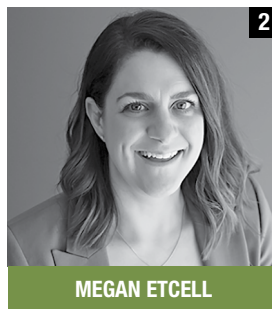
Former ASX listed directorships in the last three years: Nil

### 2. MEGAN ETCCELL

**Chief Financial Officer and  
Company Secretary**

Megan holds a Bachelor of Commerce Degree from the University of Newcastle and is a qualified Chartered Accountant.

Ms Etccell joined TerraCom in November 2019 as Company Secretary and started in the role of Executive General Manager Corporate Affairs in September 2020. In



MEGAN ETCCELL

this role Megan looked after all Corporate regulatory, legal and governance, investor and stakeholder relations and administrative matters. In October 2021, Megan was appointed to the role of Interim Chief Financial Officer.

Ms Etccell has held senior roles within the coal mining industry working for NuCoal Resources Limited (ASX NCR) in various capacities including Chief Financial Officer and Company Secretary. During her time with NuCoal Megan has been involved in numerous corporate transactions including capital raisings, acquisitions and joint venture arrangements.

Prior to joining NuCoal Ms Etccell worked for PriceWaterhouseCoopers where she specialised in assurance services.

### 3. NATHAN BOOM

**Chief Commercial Officer**

Nathan Boom holds a Bachelor of Commerce (Accounting) from University of Wollongong, and is a qualified Chartered Accountant with a strong resources sector background.

His 14-year career working at large multinationals such as Xstrata Coal and Tenova Delkor has provided him with extensive exposure in business restructuring and associated implementation of recovery plans also leading finance and commercial aspects of the business.

Mr Boom has led business development projects and re-financing packages with banking consortium's, as well as has substantial experience in financial system implementation and integration.

Mr Boom joined TerraCom in 2015, was appointed Company Secretary in January 2016 and Chief Financial Officer in March 2017.



## Director's interests

As at the date of this report, the interest of each director in the ordinary shares of the Company, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001 (Cth) (the Act) is as follows:

Directors' interests	Ordinary shares Direct interest	Ordinary shares Indirect interest	Options over Ordinary Shares Direct interest	Options over Ordinary Shares Direct interest	Total
G Campbell <sup>(1)</sup>	–	200,000	–	–	200,000
D McCarthy <sup>(2)</sup>	2,319,058	355,516	–	–	2,674,574
M Hunter <sup>(3)</sup>	500,000	892,309	–	–	1,392,309
S Kyriakou	369,962	–	–	–	369,962
G Lewis <sup>(4)</sup>	–	1,928,932	–	–	1,928,932
M Lochtenberg <sup>(5)</sup>	–	9,002,393	–	–	9,002,393
C Lyons	–	–	–	–	–

<sup>(1)</sup> shares held indirectly by Mitchell Victory Pty Ltd ATF the Campbell Family Superannuation Fund.

<sup>(2)</sup> shares held indirectly via Rainbow Max Limited as trustee for Rainbow Max Unit Trust (unitholder).

<sup>(3)</sup> shares held indirectly via M&M Hunter Pty Ltd (director) as trustee for the Hunter Family Superannuation Fund (beneficiary) and Rivendell Capital Pty Limited (director and shareholder).

<sup>(4)</sup> shares held indirectly via Baysoni Pty Ltd (director and shareholder) as trustee for the Lewis Family Trust and Lewis Superannuation Fund A/C (beneficiary) and Rainbow Max Limited as trustee for Rainbow Max Unit Trust (unitholder).

<sup>(5)</sup> shares held indirectly by Rigi Investments Pty Ltd (director & shareholder).

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board*		Remuneration Committee		Audit Committee		HSEC Committee	
	Attended <sup>(A)</sup>	Held <sup>(B)</sup>	Attended <sup>(A)</sup>	Held <sup>(B)</sup>	Attended <sup>(A)</sup>	Held <sup>(B)</sup>	Attended <sup>(A)</sup>	Held <sup>(B)</sup>
C Ransley <sup>(1)</sup>	11	12	2	3	–	–	–	–
G Campbell <sup>(2)</sup>	7	7	–	–	–	–	–	–
D McCarthy	14	14	–	–	–	–	2	2
M Hunter	13	14	–	–	5	5	–	–
S Kyriakou <sup>(4)</sup>	14	14	–	–	5	5	2	2
G Lewis	13	14	3	3	–	–	2	2
M Lochtenberg <sup>(2)</sup>	7	7	–	–	–	–	–	–
C Lyons <sup>(5)</sup>	13	13	3	3	5	5	–	–

\* TerraCom does not have a fully constituted Nominations Committee, however, as and when required the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities.

<sup>(A)</sup> Number of meetings attended

<sup>(B)</sup> Number of meetings held during the time the Director held office or was a member of the committee during the period.

<sup>(1)</sup> resigned 8 July 2022

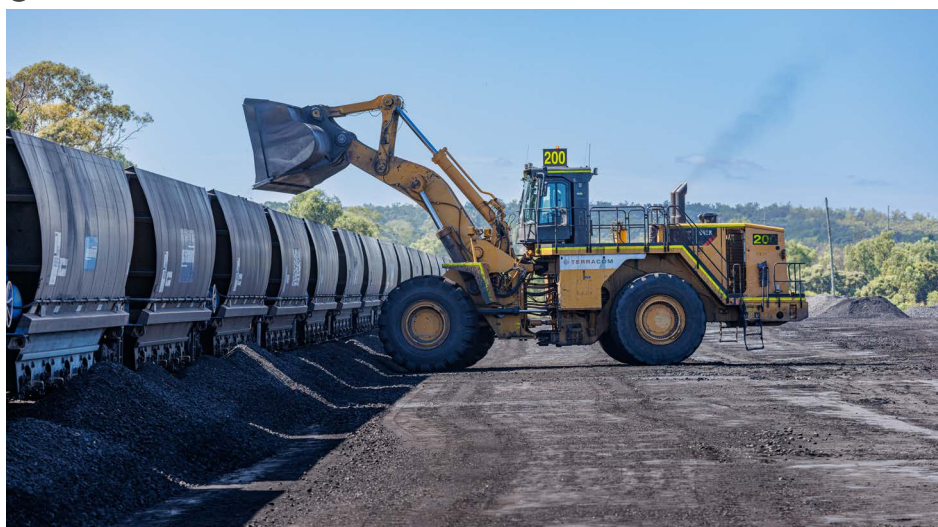
<sup>(2)</sup> appointed 28 January 2022

# Operating and financial review

# AUSTRALIAN BUSINESS UNIT OPERATIONS



© Blair Athol



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).

## FINANCIAL PERFORMANCE SUMMARY

The Australian Business Unit financial performance can be summarised as follows:

		Year ended 30 June 2022 <sup>(1)</sup>	Year ended 30 June 2021	Variance	Variance (%)
Revenue	\$'000	565,393	159,237	406,156	>100
	\$/Sold Tonne	245.5	70.9	174.6	>100
Costs <sup>(2)</sup>	\$'000	215,319	145,098	70,221	48
	\$/Sold Tonne	93.5	64.6	28.9	45
EBITDA	\$'000	350,074	3,403	346,671	>100
	\$/Sold Tonne	152.0	1.5	150.5	>100

<sup>(1)</sup> The data presented does not include the results from the South African Unit or TerraCom corporate costs.

<sup>(2)</sup> reflects ongoing operational costs and excludes once off items.

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.

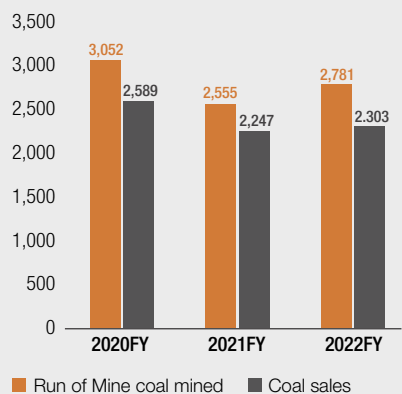
Free on Board (FOB) costs were impacted by revenue linked costs (including government royalties), diesel and current inflation pressures being experienced by the mining industry. The royalty per tonne for the 12 months ending 30 June 2022 was \$26.4 per tonne, which on a full year basis represents an increase of approximately \$22 per tonne compared to FY2021, driven by coal price.

# Operating and financial review continued

## Australian operations

### BLAIR ATHOL THERMAL COAL MINE

#### Blair Athol production (tonnes)



THERMAL COAL	EXPORT	OWNERSHIP	OPEN PIT	LOM
2.8Mtpa ROM	2.3Mtpa export, primarily to Japan and South Korea and Indian sponge iron markets	100% ownership, Owner Operator	Dragline and dozers for waste removal	Approximately 9 years
	Exported through Dalrymple Bay Coal Terminal		Coal mining by truck and shovel	
			Life of mine strip ratio of <8:1	

#### Total tonnes

BA	Quarter 1 Sep-21	Quarter 2 Dec-21	Quarter 3 Mar-22	Quarter 4 Jun-22	2022 Financial Year	2021 Financial Year
Run of Mine Coal mined (tonnes)	672	602	790	716	2,781	2,555
Strip Ratio	9.2	10.2	7.8	7.6	8.6	7.8
Saleable Production (tonnes)	528	524	639	594	2,285	2,229
Coal Sales (tonnes)	565	502	612	624	2,303	2,247
Inventory (tonnes)	131	104	146	87	87	160

#### Blair Athol Resources and Reserves

	Mt
<b>Resource</b>	
Measured	21.3
Indicated	3.6
Inferred	0.2
<b>Total</b>	<b>25.1</b>
<b>Recoverable Reserve</b>	
Proved	7.0
Probable	16.0
<b>Total</b>	<b>23.0</b>
<b>Marketable Reserve</b>	
Proved	5.7
Probable	12.4
<b>Total<sup>#</sup></b>	<b>18.1</b>



<sup>#</sup> due to rounding of reported figures not all totals may reconcile to the sum of the reported components.



# Operating and financial review continued

## Australian operations

### **SAFETY**

The Blair Athol philosophy is based on an inclusive and respectful culture of which the safety and wellbeing of our people is fundamental.

During the year the site continued to transition the risk-based Safety and Health Management system to a streamlined effective management system. A visible leadership program was introduced which outlines the core behaviours and expectations of everyone that works at Blair Athol and which is role modelled by the leadership team. This new program has achieved positive results with an increase of field leadership activities leading to a reduction in the 12-month total recordable injury frequency rate (TRIFR) reducing to 9.9 from 13.8.

We continued our proactive management of COVID-19 through disciplined management and preventative measures to ensure reliability and continuity of operations.

### **ENVIRONMENT, REHABILITATION AND COMMUNITY**

The mine life extension (announced August 2021) saw the transitioning to a revised Life of Mine (LOM) landform model. The LOM plan defines the available areas for rehabilitation and with an aligned progressive dump strategy, has resulted in a reduction in the bulk movement required to rehabilitate the mine following cessation of coal mining activities.

The Company is committed to meeting end user expectations upon closure and given this, the LOM plan remains the centre piece of the progressive rehabilitation and closure plan (PRCP) for the operation. The PRCP establishes detailed rehabilitation requirements including landform, flora and fauna and water management criteria, which will be used for success criteria upon mine closure.

Blair Athol is an integral part of the Clermont community. In addition to providing community group support, the

Company has completed the onboarding of 16 local traineeships and is launching an apprenticeship program providing careers in mining and skills pathways to further support the future of Clermont and the wider central highlands region.

### **PRODUCTION**

Total ROM production for the year was 2.8 million tonnes with sales of 2.3 million tonnes.

This increase in ROM and sales tonnes from the previous FY was supported by additional truck / excavate waste removal and coal mining from within existing onsite assets with improved productivity and utilisation. Despite the unseasonal rainfall throughout the FY22 period, Blair Athol is well positioned with a sustainable mine site cost base to take advantage of the market upturn through consistent and reliable coal delivery.

### **PERSONNEL**

Blair Athol's total employee headcount for the end of June 2022 was 192.

Blair Athol



# Operating and financial review continued

# AUSTRALIAN BUSINESS UNIT PROJECTS



© Blair Athol



## HUGHENDEN PROJECT

Hughenden Project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages. The resource is at moderate to deep mining depth. The Project is located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

PROJECT NAME	JORC 2012 RESOURCE	COAL TYPE AND QUALITY	LOCATION	TENEMENTS	OWNERSHIP	AREA
<b>Hughenden Project</b>	1,209Mt	Thermal	Galilee Basin Hughenden, Queensland	EPC 1300	FTB (QLD) Pty Ltd a wholly owned Subsidiary of TerraCom Limited	6,423.2km <sup>2</sup>
	133Mt Indicated; 1,076Mt Inferred			EPC 1394		
	EPC 1477					
	EPC 1478					
	EPC 2049					
	EPC 1641					

## CLYDE PARK PROJECT

TerraCom Limited has drilled 36 boreholes within EPC 1260 as part of the Clyde Park exploration program and of these, 26 boreholes have been included in the geological model.

Similar to the Hughenden project, the Clyde Park Project is located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

PROJECT NAME	JORC 2004 RESOURCE	COAL TYPE AND QUALITY	LOCATION	TENEMENTS	OWNERSHIP	AREA
<b>Clyde Park Project</b>	728Mt	Thermal	North Eastern Galilee Basin  Hughenden, Queensland	EPC 1260	EPC 1260 wholly owned by Clyde Park Coal Pty Ltd.  TerraCom Limited owns 64.4% of Clyde Park Coal Pty Ltd.	132km <sup>2</sup>
	51Mt Indicated; 677Mt Inferred					



# Operating and financial review continued

## Australian projects

### PENTLAND PROJECT

The Pentland Project will benefit from the same strategic opportunities as its sister projects at Hughenden and Clyde Park with its location relative to existing infrastructure.

PROJECT NAME	JORC	COAL TYPE AND QUALITY	LOCATION	TENEMENTS	OWNERSHIP	AREA
<b>Pentland Project</b>	Nil calculated to date	Thermal	Northern end of the Eromanda and Galilee Basins  Pentland, Queensland	EPC 1890 EPC 1892 EPC 1893 EPC 1962 EPC 1964	Orion Mining Pty Ltd, a wholly owned Subsidiary of TerraCom Limited	2,492km <sup>2</sup>

### SPRINGSURE PROJECT

The Springsure Project (MDL 3002 and EPC 1674) area covers a total area of 31km<sup>2</sup> and is made up of 11 sub-blocks approximately 8km north of the town of Springsure on the Gregory Highway in the Springsure Region. The Springsure Project is 100% owned by Springsure Mining Pty Ltd, of which TerraCom Limited is a 90.07% shareholder.

The Project area occurs on strike with Minerva Coal Pty Ltd's Minerva South and Minerva No.1 mines which are located approximately 3km to the north. The Minerva mine is a multi-seam mine targeting high quality thermal coal resources within the Reids Dome Beds coal measures.

PROJECT NAME	JORC 2004 RESOURCE	COAL TYPE AND QUALITY	LOCATION	TENEMENTS	OWNERSHIP	AREA
<b>Springsure Project</b>	191Mt  43Mt Indicated; 148Mt Inferred	PCI Coal  Thermal Coal	Southern Bowen Basin  Springsure, Queensland	MDL 3002 EPC 1674	Wholly owned by Springsure Mining Pty Ltd. TerraCom Limited owns 90.07% of Springsure Mining Pty Ltd.	31km <sup>2</sup>

### FERNLEE PROJECT

#### (Adjoining Springsure Project)

EPC1103 – Fernlee Project adjoins the EPC1674/ MDL3002 – Springsure Project. It provides the potential to expand the Springsure Project MDL area to the East and North East.

PROJECT NAME	JORC	COAL TYPE AND QUALITY	LOCATION	TENEMENTS	OWNERSHIP	AREA
<b>Fernlee Project</b>	Nil calculated to date	Thermal	Southern Bowen Basin  Springsure, Queensland	EPC 1103	Sierra Coal Pty Ltd, a wholly owned subsidiary of TerraCom Limited	246km <sup>2</sup>



## Operating and financial review continued

# SOUTH AFRICAN BUSINESS UNIT OPERATIONS



© Ubuntu Colliery



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

**Note:** Operating results disclosed within this section of the report assumes 100% ownership of Universal Coal Plc, unless otherwise stated.

### FINANCIAL PERFORMANCE SUMMARY

The South African Business Unit financial performance can be summarised as follows:

		Year ended 30 June 2022 <sup>(1)</sup>	Year ended 30 June 2021	Variance	Variance (%)
Revenue	\$'000	464,927	389,770	75,157	19
	\$/Sold Tonne	71.6	56.2	15.4	27
Costs	\$'000	330,500	354,850	(24,350)	(7)
	\$/Sold Tonne	50.9	51.2	(0.3)	(1)
Operating EBITDA <sup>(2)</sup>	\$'000	134,427	34,920	99,507	>100
	\$/Sold Tonne	20.7	5.0	15.7	>100

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 (100% basis) 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.

# Operating and financial review continued

## South African operations

### South Africa production overview: quarter by quarter for 12 months ending 30 June 2022

	Quarter 1 September 2021	Quarter 2 December 2021	Quarter 3 March 2022	Quarter 4 June 2022	2022 Financial Year
Run of Mine Coal mined (tonnes)	2,642	2,339	2,178	2,653	9,812
Saleable Production (tonnes)	1,958	1,454	1,482	1,647	6,540
Sales (tonnes)	1,910	1,459	1,723	1,568	6,660
Inventory (tonnes)	554	623	496	705	705

### South Africa production: year to date comparison for 12 months ending 30 June 2022

	2022 Financial Year	2021 Financial Year*	Change	Change %
Run of Mine Coal mined (tonnes)	9,812	10,677	(865)	(8)
Saleable Production (tonnes)	6,540	6,976	(436)	(6)
Sales (tonnes)	6,660	6,933	(273)	(4)
Inventory (tonnes)	705	518	187	36

\* Note: tables for South Africa above excludes intercompany sales which are eliminated on consolidation.

## KANGALA COLLIERY

Kangala Colliery is located in the Emalahleni area, which is approximately 65km from Johannesburg in the Mpumalanga province of South Africa and consists of the Wolwenfontein and Middelbult Projects.

The Wolwenfontein pit officially reached the end of its resource life with last ROM coal mined in January 2021. Whilst Kangala has a committed 2Mtpa of Coal Supply Agreement (CSA) with Eskom, until 2023, the CSA reached its energy content allowable under the CSA in February 2021. This was due to acceleration of the energy content delivered to Eskom throughout the earlier years of the CSA.

The extension of the Kangala complex is the development of the Eloff mining lease, which runs contiguously to the existing Kangala lease. The extension into Eloff is a low capex development due to the ability for Eloff to utilise the existing Kangala infrastructure (including the CHPP).

The Eloff Project is fully approved and now awaits the finalisation of the domestic offtake agreement with Eskom to access

development and production from the current Kangala pit into the Eloff resource. As a result of the ongoing delays with the new Eskom offtake agreement for the Eloff project, the Kangala Colliery has been placed into care and maintenance, effective 1 July 2021, to minimise costs.

The Middelbult Project's mining right application has been submitted and is awaiting approval from the Department of Minerals Resources and Energy.

### Safety

The Kangala colliery has consistently delivered exceptional safety results during its years in production. During 2022 FY the colliery reported zero LTI's and zero HPI's and achieved 6 000 fatality free production shifts on 30 May 2022.

### Environment, rehabilitation and community

The Kangala colliery received its certification for ISO 14001:2015 and ISO 45001:2018 in October 2020 and received its annual renewal certification for the 2022 FY.

Whilst the mine was placed on care and maintenance during FY22, the Colliery remained compliant with all environmental

monitoring, in accordance with its Environmental Management Plan.

Kangala Colliery has identified education as a key area that will change the lives of the youth in our host communities and will therefore continue to offer skills training programs, internships, learnerships, funding for higher education and donations to local schools once the operations resume.

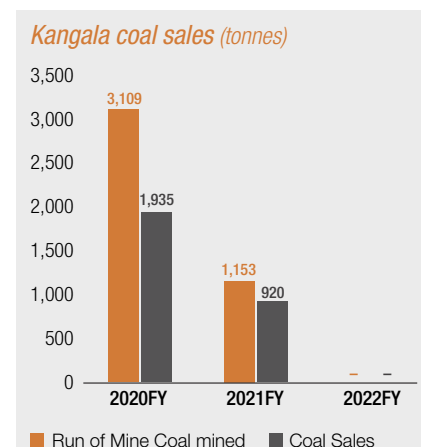
### Production

As a result of the colliery reaching the end of its resource life in January 2021, Kangala did not produce nor sell any coal in the 2022 FY.

### Personnel

Due to the operation being placed on care and maintenance, the total headcount was significantly reduced from July 2022. Only one full time employee remains, overseeing the security, maintenance and legal compliance activities, which has been outsourced.

STATUS	OWNERSHIP	LOM
End of resource life	70.5% with operational control	Extension via adjacent Eloff project











# Operating and financial review continued

## South African operations

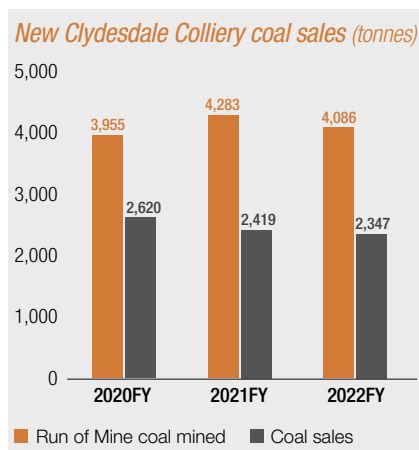
### NEW CLYDESDALE COLLIERY

The New Clydesdale Colliery (NCC) is located in the Kriel district, within the Mpumalanga province in South Africa located approximately 149km from Johannesburg and consists of the Roodekop and Diepspruit West projects.

NCC is a multi-product open cast and underground mine with the ability to produce domestic and export quality product. NCC has a 1.6 Mt per annum off-take agreement with Eskom, South Africa's largest power generator, until 2024 and an export offtake for 650Kt per annum with a global trader.

 THERMAL COAL #	 DOMESTIC	 EXPORT	 ORE RESERVES	 OWNERSHIP	 UNDERGROUND	 SEAM PRODUCTION	 OPEN PIT
4.4Mtpa ROM	1.6Mtpa to 2024, fixed price	API4 Index linked offtake agreement of 656ktpa to 2023	46.8 Mt	49% ownership, Owner Operator	Room and pillar	Three sections	Truck and shovel operation ~3:1 strip ratio

# subject to coal sales contracts.



### Safety

NCC experienced a positive FY2022. There were no stoppages due to instructions from regulators. Health and safety conditions and behaviors have improved significantly with the introduction of new systems. Training and employee engagement remained at the forefront of efforts for continual improvement

NCC safety statistics showed and overall improvement of 74% for the FY. Unfortunately, NCC still reported 6 LTIs (FY2021: 6 LTIs), and noticeable improvement on HPIs with only 6 during the reporting period compared to 11 for the previous FY. NCC has reported a total of 1,251 Fatality Free Progressive Shifts to the end of June 2022.

### Environment, rehabilitation and community

NCC conducted concurrent rehabilitation for the Roodekop, Roodekop Rivercut and Diepspruit West. The Rehabilitation Financial provision was successfully updated as per NEMA: GNR1147 regulations. ISO 14001:2015 certification was maintained and successfully completed the year without any reportable environmental incidents.

During the FY22 period NCC initiated the environment authorisation process for the Middledrift Block that will extend the life of mine by an additional 10 years.

### Production

During the financial year the colliery produced 4.08Mt of ROM (FY2021: 4.3Mt) and achieved a total of 2.35Mt (FY2021: 2.3Mt) coal sales. Implementation of new processing systems increased the colliery yield by 4.1%. The colliery had a reduction in RB1 offtake during July to September due to train allocation from Transnet. Mining activities were slowed down to align cost with RB1 Sales. Eskom sales were 107Kt below contracted volumes due to power interruptions and industrial action. RB3 coal sales were 33kt above the required delivery for the financial year.

### Personnel

The total headcount at NCC, including contractors, at the end of June 2022 was 1,775 of which 51 people are directly employed by the colliery and 39 onsite learners.

### Total tonnes

NCC	Quarter 1 Sep-21	Quarter 2 Dec-21	Quarter 3 Mar-22	Quarter 4 Jun-22	2022 Financial Year	2021 Financial Year
Run of Mine Coal mined (tonnes)	1,122	1,034	915	1,015	4,086	4,283
Strip Ratio	2.7	2.7	2.7	3.2	2.8	2.3
Saleable Production (tonnes)	748	628	606	549	2,530	2,471
Coal Sales (tonnes)	701	575	583	488	2,347	2,419
Inventory (tonnes)	136	173	187	270	270	188



# Operating and financial review continued

## South African operations

### THE NORTH BLOCK COMPLEX

The North Block Complex (NBC) is located in Belfast in the Mpumalanga province, South Africa, approximately 200km North-east of Johannesburg. Open cast mining is taking place in the Paardeplaats section that was developed in FY2020.

NBC is a multi-product open cast operation that has solidified itself as a reliable supplier of high-quality export thermal coal for the export market and domestic coal for the export market and domestic coal for ESKOM, South Africa's power generator. The multiple established export path to market for NBC provides the platform for further growth opportunities for the Company.

NBC achieved exceptional production results of 4.3Mt ROM during the period under review, an increase of 16% from FY2021.

#### Safety

NBC achieved excellent safety results during FY2022 with zero LTI incidents (LTI: 2 in FY2021) and its total fatality free shift, since inception, totals 43,397 FFPS.

NBC retained ISO 45000 Certification during the financial year.

### Environment, rehabilitation and community

In FY2022, NBC achieved the following environmental milestones: The environmental authorisation in terms of the National Environmental Management Act (Act No 107 of 1998) and National Water Act (Act 36 of 1998) for the following projects were attained in the past financial year:

- Glisa Siding
- Road Diversion of the Gravel Road D2809.
- Portion 13 Housing Relocation project

NBC retained ISO 14001 certification in FY 2022.

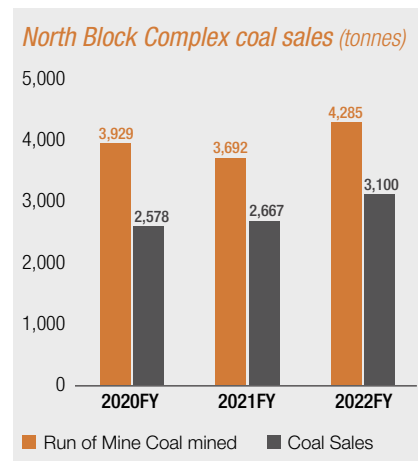
#### Production

A total of 3.1Mt of coal was sold to market during FY2022 (FY2021: 2.67Mt). Total coal sold to Eskom was 2.4Mt, an amount greater than the required offtake volumes as the colliery was able to divert some of its RB3 ROM to Eskom during the first six months of the financial year. With respect to export tonnes, 407Kt of RB1 product was delivered to market and 258Kt of RB3 product was sold.

#### Personnel

The total headcount at NBC, including contractors, at the end of June 2022 was 1,150 of which 36 people are directly employed by the colliery, and 14 on-site learners.

North Block Complex



<b>THERMAL COAL #</b>	<b>DOMESTIC</b>	<b>ORE RESERVES</b>	<b>OWNERSHIP</b>	<b>OPEN PIT</b>
5.1Mtpa ROM	2.4Mtpa to 2030, fixed price	41.6Mt, current operations fully regulated, Paardeplaats Mining Right and S11 granted	49%	Truck and shovel operation

# subject to coal sales contracts

### Total tonnes

NBC	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2022	2021
	Sep-21	Dec-21	Mar-22	Jun-22	Financial Year	Financial Year
Run of Mine Coal mined (tonnes)	1,154	971	995	1,166	4,285	3,692
Strip Ratio	2.5	2.2	2.3	2.6	2.5	2.4
Saleable Production (tonnes)	919	652	623	832	3,026	2,461
Sales (tonnes)	871	692	786	751	3,100	2,667
Inventory (tonnes)	230	235	144	264	264	174






# Operating and financial review continued

## South African operations

### UBUNTU COLLIERY

The Ubuntu Colliery (Ubuntu) is located in the Emalahleni area, within the Mpumalanga province in South Africa and is approximately 25km from the Company's Kangala Colliery.

The development of Ubuntu commenced during FY2020 and reached steady state production in October 2020. Ubuntu is an open cast operation and has a committed Coal Supply Agreement (CSA) with ESKOM for the annual supply of 1.2Mt of domestic thermal coal to December 2022.

 THERMAL COAL #	 DOMESTIC	 ORE RESERVES	 OWNERSHIP	 OPEN PIT
1.2Mtpa RoM	1.2Mtpa RoM to December 2022, fixed price	6.1Mt	48.9%	Truck and shovel operation, ~3:1 strip ratio  Crush and screen blending operation

# Subject to coal sales contracts.

#### Safety

Ubuntu has an excellent safety record and has recorded no LTI's since the commencement of mining at the colliery in FY2021. The colliery has reported 3,288 Fatality Free Progressive Shifts as at the end of June 2022.

#### Environment, rehabilitation and community

Since commencing in 2019, the Ubuntu colliery has taken a proactive approach in addressing the mining impacts on surrounding environmental habitats (i.e., wetlands, natural water bodies, etc.).

All the necessary actions required to achieve a sustainable environment are outlined and discussed in Ubuntu Colliery Environmental Management Programme (EMP) which is reviewed on a regular basis.

The Ubuntu colliery supported local communities during the COVID-19

pandemic distributing food parcels, blankets and school uniforms to the all the nearby communities.

The colliery also renovated the local community youth centre in the area and is providing training and employment opportunities to local community members in the areas of blasting, welding, drivers licenses and other basic skills.

#### Production

In total, Ubuntu delivered 1.04Mt of coal to Eskom during the financial year, 163Kt less than planned, caused by interruptions at the power stations.

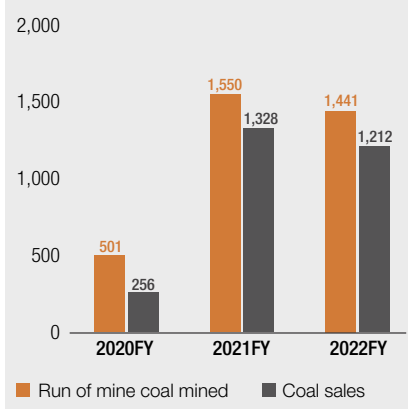
#### Personnel

The total headcount at Ubuntu, including contractors, at the end of June 2022 was 504 of which 26 people are directly employed by the colliery, 3 onsite learners and 2 bursars.

 Ubuntu Colliery



Ubuntu coal sales (tonnes)



#### Total tonnes

UBU	Quarter 1 Sep-21	Quarter 2 Dec-21	Quarter 3 Mar-22	Quarter 4 Jun-22	2022 Financial Year	2021 Financial Year
Run of Mine Coal mined (tonnes)	366	334	269	472	1,441	1,550
Strip Ratio	3.1	2.8	2.6	1.4	2.4	2.6
Saleable Production (tonnes)	291	174	253	266	983	1,403
Sales (tonnes)	338	191	354	329	1,212	1,328
Inventory (tonnes)	188	215	165	171	171	156

# SOUTH AFRICAN BUSINESS UNIT PROJECTS



© Kangala Colliery



## ELOFF PROJECT

The Eloff Project, situated directly adjacent to Kangala Colliery, provides an opportunity for Universal to consolidate the contiguous resource base with Kangala. The Kangala colliery officially reached the end of its resource life in January 2021. The extension of the Kangala complex is the development of the Eloff mining lease, which runs contiguously to the existing Kangala lease. The extension into Eloff is a low capex development due to the ability for Eloff to utilise the existing Kangala infrastructure (including the CHPP).

The Eloff Project is fully approved and now awaits the finalisation of the domestic off-take agreement with Eskom to recommence development and production from the current Kangala pit into the Eloff resource.

PROJECT NAME	JORC 2012 COMPLIANT RESOURCE	COAL TYPE AND QUALITY	LOCATION	OPERATIONS	TENEMENTS	OWNERSHIP	AREA	CURRENT LOM
<b>Eloff</b>	528.3Mt resource (gross tonnes in situ). Resource in open pit areas only	Thermal	Contiguous to Kangala. Witbank Coalfield, Mpumalanga province, South Africa.	Open pit, truck and shovel	MP30/5/1/2/2/10169MR	49%	8.168ha 6.146ha surface rights included	20 years



# Operating and financial review continued

## South African projects

### UNIVERSAL COAL DEVELOPMENT II (PTY) LTD (BERENICE PROJECT) AND UNIVERSAL COAL DEVELOPMENT V (PTY) LTD (CYGNUS PROJECT)

The Berenice and Cygnus projects are significant metallurgical coal assets adjacent to each other, located in the Soutpansberg coalfield of the Limpopo province of South Africa. The Berenice-Cygnus resource is in excess of 1.35 billion tonnes. Mining right applications for the Cygnus and Berenice projects were submitted and both Mining Rights were accepted, pending granting. Environmental authorisation for Berenice has been issued. Cygnus environmental impact assessment and water use license application has been commissioned.

PROJECT NAME	JORC 2012 COMPLIANT RESOURCE	COAL TYPE AND QUALITY	LOCATION	OPERATIONS	TENEMENTS	OWNERSHIP	AREA	CURRENT LOM
<b>Berenice/</b>	1.35Bt	Blend	Soutpansberg	10Mtpa	LP30/5/1/1/2/376PR	50%	7.76ha –	20 years
<b>Cygnus</b>	Resource (gross tonnes in-situ)	coking and thermal	Coalfield, Limpopo province, South Africa	open cut operation viability confirmed	LP30/5/1/1/2/1276PR		Berenice/ 12.30ha – Cygnus	

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.

### 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 that date, 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.

# Operating and financial review continued

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.

## 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 was paid on 19 September 2022. The ex-dividend date is 2 September 2022.

The Company issued 5,000,000 unquoted options to Evolution Capital under a lead broker agreement in November 2021. The unquoted options had an exercise price of \$0.35 and an expiry date of 9 November 2024, being 3 years after the issue date. Following the exercise of unquoted options, the Company issued 3,333,333 fully paid ordinary shares on 16 June 2022 and issued a further 1,666,667 fully paid ordinary shares on 29 August 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.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## ENVIRONMENTAL REGULATION

The Group holds licences issued by the relevant environmental protection authorities of the various countries in which it operates.

There have been no significant known breaches of the consolidated entities' licence conditions or any environmental regulations.

## 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 major risks believed to be associated with investment in the Group are as follows:

### Operational risk

The Group's coal mining operations are subject to operating risks that could impact the amount of coal produced or processed at its coal mines, delay coal deliveries or increase the cost of mining for varying lengths of time. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in operating plant and equipment, mechanical failure, metallurgical

problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment. Geological uncertainty is also an inherent operational risk which could result in pit wall failures, rock falls or other failures to mine infrastructure.

### Global Pandemic risk

The COVID-19 pandemic outbreak poses potential risk to the Group across a number of areas. Further government-imposed shutdowns could to impact sectors of the economy with respect to travel restrictions and border closures by either the Australian and South African governments which may impact supply chains, exports or customers of the Company. With employees in both Australia and South Africa, a pandemic outbreak among employees, in either location, has the potential to cause interruption to business operations which may result in loss.

### Development risk

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. Additionally, the construction of new projects/expansion by the Group may exceed the currently envisaged timeframe or cost for a variety of reasons outside the control of the Group.

### Cash Flow risk

The risk that the Group's operations are unable to generate sufficient cashflow to meet their operational commitments and debt funding repayments in South Africa could have a negative effect on the Group's going concern ability. The Group's operations were able to meet all their commitment for the period under review and service head office and corporate expenses. The Directors regularly review cash flow requirements to ensure the Group can meet financial obligations as and when they fall due.

# Operating and financial review continued

## Country Risks

There is a risk that circumstances (including unforeseen circumstances) in either Australia or South Africa may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. There is also a risk that a change in laws may impact the viability of the projects.

## Financial instrument risk

Both the Company and consolidated entity are exposed to risks arising from financial instruments held and issued. These are discussed in note 34 of the financial statements.

## Market risk – Coal Price and Foreign Currency

The Group's plans for any revenue are to be derived mainly from the sale of coal and/or coal products. Consequently, the Group's financial position, operating results and future growth will closely depend on the market price of each of these commodities. Market prices of coal products are subject to large fluctuations in response to changes in demand and/or supply and various other factors.

These changes can be the result of uncertainty or several industry and macroeconomic factors beyond the control of the Group, including political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates. If market prices of the

commodities sold by the Group were to fall below production costs for these products and remain at that level for a sustained period of time, the Group would be likely to experience losses, having a material adverse effect on the Group. The Group does not currently hedge against coal price and foreign exchange.

## Competition risk

The industry in which the Group is involved is subject to domestic and global competition. While the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's projects and business.

## Exploration and Evaluation risk

Mineral exploration and development are high risk undertakings. While the Group has attempted to reduce this risk by selecting projects that have identified prospective mineral targets, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. The Group's exploration and appraisal activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangements and regulatory authorities (authorisations) which may

not be granted or may be withdrawn or made subject to limitations. Although the authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such authorisations. If the Group does not meet its work and/or expenditure obligations under its authorisations, this may lead to dilution of its interest in, or the loss of such authorisations. The business of commodity development and production involves a degree of risk. Amongst other factors, success is dependent on successful design, construction and operation of efficient gathering, processing and transportation facilities. Even if the Company discovers or recovers potentially commercial quantities of coal from its exploration activities, there is no guarantee that the Group will be able to successfully transport these resources to a commercially viable market or sell the resources to customers to achieve a commercial return.

## Capital requirements risk

There is a risk that insufficient liquidity or the inability to access funding on acceptable terms may impact ongoing operations and growth opportunities. The Group implements various capital management strategies to align, where possible, with the capitalised liquidity requirements on the Company.

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# Operating and financial review continued

## Health & safety risk

The Group has a comprehensive health and safety management system. The Group's projects are subject to laws and regulations regarding health and safety matters. Accidents or incidents of the operations could lead to delays, disruptions, or shutdown of the operations. Potential safety risks include equipment failure, human errors, mining equipment interactions and spontaneous combustion risk.

## Resources and Reserves risk

The future success of the Group will depend on its ability to find or acquire coal reserves that are economically recoverable. There can be no assurance that the Group's planned exploration activities will result in significant resources or reserves or that it will have success mining coal. Even if the Group is successful in finding or acquiring coal reserves or resources, reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from coal resources or reserves will in fact be realised or that an identified coal resource will ever qualify as commercially viable which can be legally and economically exploited.

Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates may render coal reserves and resources containing relatively lower grades of mineralisation uneconomic and may ultimately result in a restatement of reserves and or resources. Short-term operating factors relating to the coal reserves and resources, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period and may adversely affect the Group's profitability. The mining of coal involves a high degree of risk, including that the coal mined may be of a different quality, tonnage or strip ratio from that estimated.

## Acquisitions and Commercial Transactions risk

Acquisitions and commercial transactions are completed by the Group with the

principal objective of growing the Group's portfolio of assets. Risks associated with these transactions include adverse market reaction to proposed and/ or completed transactions, further exploration and evaluation activities not meeting expectations, and the imposition of unfavourable or unforeseen conditions, obligations and liabilities.

## Environmental and regulatory risk

The Group's projects are subject to laws and regulations regarding environmental matters. Many of the activities and operations of the Group cannot be carried out without prior approval from and compliance with all relevant authorities. The Group intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Group could be subject to liability due to risks inherent to its activities, such as groundwater contamination, subsidence, accidental spills, leakages or other unforeseen circumstances.

## Environmental regulation risk

The coal sector is subject to a broad range of environmental laws, regulations and standards – including in relation to greenhouse gas emissions. Changes or amendments to laws, regulations and standards could result in increased operating costs, regulatory action, litigation, or in extreme cases, threaten the viability of an operation.

## Cyber risk

The Group's operations are supported by an information technology security framework and back-up data infrastructure. However, computer viruses, unauthorised access, cyber-attack and other similar disruptions may threaten the security of information and impact operational systems.

## Infrastructure risks

Coal sold from the Group's mining operations is transported to customers by a combination of trucks, rail and ship. A number of factors could disrupt these transport services, including a failure of infrastructure providers to increase capacity in order to meet future export requirements. Rail and port capacity is obtained predominantly through contract arrangements which includes take-or-pay provisions which require payment

to be made irrespective of whether the service is actually used. The Group seeks to align these take-or-pay infrastructure obligations with the Group's forecasted future production.

## Counterparty risk

The Group deals with a number of counterparties, including customers and suppliers. Risks include non-supply or changes to the quality of key inputs which may impact costs and production at its mining operations, or failure of suppliers or customers to perform against operational and sales contracts.

## Climate Change risk

Climate change and management of carbon emissions may lead to increasing regulation and costs. There continues to be focus from governments, regulators and investors in relation to how companies are managing the impacts of climate change policy and expectations. The Group's growth may be impacted by increasing regulation and costs associated with climate change and the management of carbon emissions.

The Group actively monitors current and emerging areas of climate change risk and opportunities to ensure appropriate action can be taken. The Group continuously focuses on improving its energy efficiency and emissions management in delivering cost efficiencies.

## Political risk

Political and regulatory instability has been the cause of major investment uncertainty in the South African mining space. The South Africa Department of Mineral Resources unveiled new rules for Black Economic Empowerment, including more rigorous ownership requirements, increased expectations on skills development, and expanded quotas for buying goods and services from black-owned companies. Notwithstanding these additional requirements, the Group is in a fortunate position with respect to its South African Operations in that it fulfills nearly all obligations in the revised Mining Charter in its current format.

# Other information

## 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 was unfranked and paid on 19 September 2022.

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

## SHARES UNDER OPTION

The Company issued 5,000,000 unquoted options to Evolution Capital under a lead broker agreement in November 2021. The unquoted options had an exercise price of \$0.35 and an expiry date of 9 November 2024, being 3 years after the issue date.

Following the exercise of unquoted options, the Company issued 3,333,333 fully paid ordinary shares on 16 June 2022 and issued a further 1,666,667 fully paid ordinary shares on 29 August 2022.

### Shares issued on the exercise of options

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.

No shares were issued on the exercise of options during the previous financial year.

## INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement,

against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001 (Cth)* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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# Auditor independence and non-audit services

## AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001 (Cth).

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

The directors are of the opinion that the services as disclosed in Note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

There are no officers of the Company who are former partners of Ernst & Young.





**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of TerraCom Limited**

As lead auditor for the audit of the financial report of TerraCom Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TerraCom Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that reads 'Ryan Fisk' in a cursive, stylized script.

Ryan Fisk  
Partner  
30 September 2022

# Remuneration report (audited)

The audited remuneration report for the year ended 30 June 2022 outlines the remuneration arrangements of the Group in accordance with the Corporations Act 2001 (Cth) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth).

The remuneration report details the remuneration arrangements for the Group's key management personnel (KMP) during the financial year ended 30 June 2022.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group and other designated senior executives. During the year, KMP comprised the Executive Chairman, the Managing Director (**MD**) and his direct management reports (collectively the **Executive KMP**) and the non-executive directors of the Company.

The remuneration report is tabled at the Annual General Meeting of the Company each year for shareholder approval. At the 2021 Annual General Meeting of shareholders held on 28 January 2022, the remuneration report received positive shareholder approval with a vote of 91.82% in favour. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## 1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The performance of the Group depends on the quality of both its Directors and Executive KMP and the Company's remuneration philosophy is to attract, motivate and retain high performing and high-quality personnel who will contribute to the Group's success.

The Group's remuneration framework is designed to align executive remuneration with the achievement of strategic objectives and the creation

of value for shareholders, and it is considered to conform to the market best practice. The following key criteria are considered by the Board in setting the remuneration framework to achieve good governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

A key element of the remuneration framework is to enhance the interests of both shareholders and KMP.

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### KMP interests

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

### Shareholder interests

- economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

# Remuneration report continued

## 2. ROLE OF THE REMUNERATION COMMITTEE

The Board recognises that the principle of fair, responsible and transparent remuneration practices is imperative to its overall corporate governance structure. To assist in carrying out its responsibilities in this area, the Board has delegated certain responsibilities to the Remuneration Committee.

The primary purpose of the Remuneration Committee is to represent the Board and to assist the Board to perform its functions in relation to all executive KMP remuneration issues and the Company's human resources strategy, generally.

The Committee is primarily responsible for:

- monitoring the effectiveness of the overall remuneration structure of the Group;
- reviewing and approving the remuneration arrangements for the Executive Chairman, Managing Director and other executive KMP;
- reviewing and approving the terms and conditions of short-term incentives and long-term incentives for the Executive Chairman, Managing Director and other executive KMP (including setting short-term incentives);

- assisting the Board with review of the performance of the Executive Chairman and Managing Director;
- reviewing and recommending to the Board the remuneration to be paid to non-executive Directors, including the process by which any pool of directors' fees approved by shareholders is allocated to directors;
- reviewing and recommending to the board the remuneration to be paid to board members of any subsidiaries of the Group;
- reviewing and making recommendations to the Board on remuneration;
- approving the appointment of remunerations consultants for the purposes of the Corporations Act 2001 (Cth) (Corporations Act);
- reviewing senior executive succession and key staff succession plans;
- reviewing and recommending to the Board the remuneration report prepared in accordance with the Corporations Act for inclusion in the annual directors' report;
- reviewing and facilitating shareholder and other stakeholders' engagement in

relation to the Company's remuneration policies and practices; and

- to ensure any termination benefits are justified and appropriate.

The objective of the Committee is to ensure that the remuneration framework adopted by the Group is both fair and competitive and aligned with the long-term interests of the Group. In doing this, the Remuneration Committee may seek advice from independent expert remuneration consultants where applicable.

During the 2022 financial year the Company engaged remuneration experts to assist with the development of both a formal Short Term Incentive (STI) plan and Long Term Incentive (LTI) plan. The new incentive plans place a strong focus on key operational imperatives and also have an alignment with shareholders through material equity components. The new plan was formally introduced by the Board in August 2022.

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# Remuneration report continued

## 3. NON-EXECUTIVE DIRECTOR REMUNERATION

### a) Non-executive KMP

The table below shows non-executive KMP during FY22.

Name	Role held during FY22, including committee memberships
<b>G Campbell</b> (appointed 28 January 2022)	Non-executive Director, appointed Non-executive Chairman on 8 July 2022 Chair of Remuneration Committee (appointed 8 July 2022)
<b>M Hunter</b> (appointed 18 January 2018)	Non-executive Director Chair of Audit Committee
<b>S Kyriakou</b> (appointed 7 September 2020)	Non-executive Director Member of Audit Committee and Member of HSEC Committee
<b>G Lewis</b> (appointed 23 December 2019)	Non-executive Director Chair of HSEC Committee
<b>M Lochtenberg</b> (appointed 28 January 2022)	Non-executive Director
<b>C Lyons</b> (appointed 14 July 2020)	Non-executive Director Member of Audit Committee, Member of Remuneration Committee

### b) Setting non-executive director fees

Fees and payments to non-executive directors reflect the demands and responsibilities of the role and are designed to ensure that the Company can attract and retain suitable qualified and experienced non-executive directors.

Although there is no stipulated minimum shareholding for non-executive directors, the Company encourages all directors to hold shares. Non-executive directors are reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or in connection with the business of the Company.

Non-executive director fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive director fees and payments are appropriate and in line with the market.

Fees for the Chairman are determined independently to the fees for other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive director remuneration pool be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 19 November 2019, where shareholders approved a maximum aggregate remuneration of \$1,250,000 per annum, excluding long-term incentive options, which are approved by shareholders as and when required.

### c) Current non-executive director fee remuneration

An internal review of non-executive director remuneration was undertaken during FY2021 to recalibrate fees and payments to non-executive directors following the significant changes to the composition of the board between June 2020 and December 2020.

The fee levels adopted by the Board effective 1 November 2020 are outlined below, noting that the fees are per annum and include mandatory statutory superannuation contributions. The fees apply to non-executive directors only.

	Chairman	Member
<b>Board</b>	\$300,000*	\$75,000
<b>Board Committees</b>	\$30,000	\$15,000
<b>Audit Committee</b>		
<b>Remuneration Committee</b>		
<b>HSEC Committee</b>		
<b>Other subsidiary board fees, as applicable</b>	N/A	\$15,000

\*Amount paid to W King included cash and share options. The chairman does not receive any additional committee fees.

# Remuneration report continued

## Executive KMP remuneration

The Group aims to reward Executive KMP based on their position and responsibility, with a balance between fixed and incentive pay, reflecting short and long term performance objectives which align with the Group's circumstances and objectives.

The executive remuneration and reward framework has four components which comprises the total remuneration:

- fixed remuneration, including superannuation (TFR)
- short-term performance incentives (STI)
- long-term performance incentives (LTI)
- non-monetary benefits (including fringe benefits)

### a) Executive KMP

The table below shows Executive KMP during FY22, including a summary of notice periods and key terms.

Name	Position as at 30 June 2022	Notice Period
<b>C Ransley</b> (appointed 1 April 2021, resigned 8 July 2022)	Executive Chairman	Up to 3 years – 8 months 3 or more years – 6 months
<b>D McCarthy</b>	Managing Director	Up to 3 years – 8 months 3 or more years – 6 months
<b>M Etcell *</b>	Chief Financial Officer and Company Secretary	6 months
<b>N Boom</b> (appointed 1 September 2020)	Chief Commercial Officer	6 months
<b>C van Tonder</b> (ceased as KMP on 7 October 2021)	Chief Financial Officer until 7 October 2021	n/a

\* Ms Etcell was appointed KMP from 1 September 2020. Role changed to Chief Financial Officer and Company Secretary effective 7 October 2021.

### b) Fixed remuneration

The purpose of TFR is to provide a base level of remuneration which is market-competitive and appropriate. TFR includes base pay and superannuation contributions. Executive contracts of employment do not include guaranteed base pay increases and are reviewed each year by the Remuneration Committee.

The TFR is determined using a number of factors, including skills displayed, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and all Executive KMP are on a continuing employment basis (not fixed term).

The terms and conditions of these contracts are not expected to change in the immediate future.

### c) Short term incentives

The objective of awarding an STI is to link the rewards of all employees with the achievement of strategic goals, whilst constituting a reasonable cost to the Group. The STI performance measures are focused on the growth of the business and include various business performance and technical measurement components.

The Company had no formal STI scheme in place for the financial year ending 30 June 2022, however executive KMP were awarded cash bonuses during the

period, as approved by the Remuneration Committee and adopted by the Board.

As noted above, a formal STI plan was formally introduced by the Board in August 2022 and communicated to eligible participants.

### d) Long Term Incentives

Performance-linked equity plans are widely considered to be a very effective means of providing incentives to attract and retain staff while aligning potential incentive outcomes with the interests of shareholders. The objective of the LTI is to link the long-term performance objectives of the Company with the retention of the Group's employees at all levels.

There was no formal LTI plan in place during FY2022 and as such there were no LTIs awarded to any Executive KMP during the financial year ending 30 June 2022.

Share based payments were awarded to Executive KMP during FY2019 and FY2020, however as allocations under the FY2020 award did not meet the initial vesting criteria they did not vest and were therefore forfeited before being issued. With respect to allocations under the FY2019 award, initial vesting conditions were met, however given the exercise price applied to the allocations was too optimistic and incapable of being met, the Board cancelled the allocations during FY2021 following agreement by option holders.

As noted above, a formal LIT plan was formally introduced by the Board in August 2022 and communicated to eligible participants.

### e) Non-monetary benefits

Executive KMPs may receive fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

# Remuneration report continued

## Amounts of remuneration

The following table sets out the statutory remuneration disclosures required under the Corporations Act and has been prepared in accordance with the appropriate accounting standards.

		Short-term benefits			Post-employment benefits		Share-based payments		Total
		Salary	Cash Bonus <sup>(9)</sup>	Other	Super annuation	Termination Benefits	Share Options <sup>(10)</sup>	Shares	
2022		\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>									
G Campbell <sup>(1)</sup>	2022	31,250	–	–	–	–	–	–	31,250
	2021	–	–	–	–	–	–	–	–
W King AO <sup>(2)</sup>	2022	–	–	–	–	–	–	–	–
	2021	100,192	–	–	7,808	–	(17,723)	165,000	255,277
P Anderson <sup>(3)</sup>	2022	–	–	–	–	–	–	–	–
	2021	10,000	–	–	–	–	(6,745)	–	3,255
M Hunter	2022	95,890	–	–	9,589	–	–	–	105,480
	2021	100,457	–	–	9,543	–	5,398	–	115,398
S Kyriakou <sup>(4)</sup>	2022	105,000	–	–	–	–	–	–	105,000
	2021	73,250	–	40,000	–	–	–	–	113,250
G Lewis <sup>(5)</sup>	2022	132,917	–	35,125	–	–	–	–	168,042
	2021	110,000	–	84,326	–	–	–	–	194,326
M Lochtenberg <sup>(1)</sup>	2022	31,250	–	–	–	–	–	–	31,250
	2021	–	–	–	–	–	–	–	–
C Lyons <sup>(6)</sup>	2022	120,000	–	135,000	–	–	–	–	255,000
	2021	107,500	–	122,500	–	–	–	–	230,000
J Soorley <sup>(7)</sup>	2022	–	–	–	–	–	–	–	–
	2021	4,194	–	75,000	–	–	(15,837)	–	63,357
C Wallace <sup>(8)</sup>	2022	–	–	–	–	–	–	–	–
	2021	20,000	–	–	–	–	(15,837)	–	4,163
Total Directors	2022	516,307	–	170,125	9,589	–	–	–	633,521
	2021	525,592	–	246,826	321,826	–	(50,744)	165,000	979,026

<sup>(1)</sup> appointed 28 January 2022

<sup>(2)</sup> Resigned 31 March 2021. Ordinary shares issued to Mr King are in accordance with his Non-Executive Chairman Appointment Agreement with the Company.

2021 – shares relate to the period 1 January 2021 to 31 December 2021 and were approved by shareholders at the 2020 AGM held on 26 November 2020. The fair value of these shares is \$165,000, being \$0.165 per share on the grant date of 29 December 2020.

<sup>(3)</sup> Resigned 31 July 2020.

<sup>(4)</sup> Appointed 7 September 2020. Other amounts relate to additional advisory services to the Company. Payments made for these services are at market rates.

<sup>(5)</sup> Other amounts relate to additional advisory services to the Company with respect to the South African operations. Payments made for these services are at market rates.

<sup>(6)</sup> Appointed 14 July 2020. Other fees relate to additional advisory services to the Company with respect to the South African operations. Payments made for these services are at market rates.

<sup>(7)</sup> Resigned 13 July 2020.

<sup>(8)</sup> Resigned 22 August 2020.

<sup>(9)</sup> Cash bonus awarded to Executive KMP. Bonus payments are at the discretion of the Remuneration Committee.

<sup>(10)</sup> Options awarded to Directors and Executive KMP following shareholder approval at AGM held on 27 November 2018. Options were granted on 26 November 2019. A total of 412,901 were forfeited in FY2021 following the resignation of Mr King, Mr Anderson, Mr Soorley and Mr Wallace. Remaining options totalling 52,814 were also cancelled by the board during FY2021 following agreement by option holders.



# Remuneration report continued

		Short-term benefits			Post-employment benefits		Share-based payments		Total
		Salary <sup>(5)</sup>	Cash Bonus <sup>(6)</sup>	Other	Super annuation	Termination Benefits	Share Options <sup>(7)</sup>	Shares	
2022		\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive KMP</b>									
C Ransley <sup>(1)</sup>	2022	900,000	3,810,000	44,080	–	501,923	–	–	5,256,003
	2021	842,942	–	407,665	–	–	–	–	1,250,607
D McCarthy <sup>(2)</sup>	2022	875,000	1,213,400	–	27,500	–	–	–	2,115,900
	2021	762,500	–	–	25,000	–	34,517	–	822,017
N Boom	2022	647,500	471,700	–	27,500	–	–	–	1,146,700
	2021	620,833	–	–	25,000	–	70,419	–	716,252
M Etccl <sup>(3)</sup>	2022	473,205	471,700	–	27,500	–	–	–	972,405
	2021	333,333	–	–	20,833	–	–	–	354,167
C Van Tonder <sup>(4)</sup>	2022	95,797	–	–	–	–	–	–	95,797
	2021	413,943	–	348,330	–	–	–	–	762,273
Total									
Executive KMP	2022	2,991,502	5,966,800	44,080	82,500	501,923	–	–	9,586,805
	2021	2,973,552	–	755,995	70,833	–	104,936	–	3,905,316

<sup>(1)</sup> Appointed Executive Chairman 1 April 2021. Resigned 8 July 2022. A bonus in the amount of \$2.38 million was awarded to Mr Ransley for his work over a period of time in finalising the payment of the US\$167,000,000 Euroclear Bond which occurred in May 2022. An additional amount of \$930k was paid (subsequent to 30 June 2022) to Mr Ransley as an accelerated STI / LTI bonus for the 2022 financial year. Both of these payments were agreed between the Company and Mr Ransley before 30 June 2022 and were subsequently approved by shareholders at an Extraordinary General Meeting held on 13 September 2022. Other amounts paid to Mr Ransley relate to an accommodation allowance outside of Australia.

<sup>(2)</sup> Appointed Managing Director 1 April 2021.

<sup>(3)</sup> KMP from 1 September 2020 following appointment to Executive General Manager Corporate Affairs. Role change to Chief Financial Officer effective 7 October 2021.

<sup>(4)</sup> Ceased as KMP effective 7 October 2021.

<sup>(5)</sup> Salary includes the entitlement for annual leave that was expensed during the period.

<sup>(6)</sup> Cash bonus awarded to Executive KMP. Bonus payments are at the discretion of the Remuneration Committee.

<sup>(7)</sup> Options awarded to Executive KMP following shareholder approval at AGM held on 27 November 2018. Options totalling 800,000 were granted on 26 November 2019, but all were cancelled by the board during FY2021 following agreement by option holders.

# Remuneration report continued

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		Share-based payment		At risk incentives	
	2022	2021	2022	2021	2022	2021
<b>Non-Executive Directors</b>						
G Campbell	100%	n/a	–	n/a	–	–
W King AO <sup>(1)</sup>	n/a	40%	–	60%	–	–
P Anderson <sup>(2)</sup>	n/a	100%	n/a	–	n/a	–
M Hunter	100%	95%	–	–	–	–
S Kyriakou <sup>(6)</sup>	100%	100%	–	–	–	–
G Lewis	100%	100%	–	–	–	–
M Lochtenberg	100%	n/a	–	n/a	–	–
C Lyons <sup>(4)</sup>	100%	100%	–	–	–	–
J Soorley <sup>(6)</sup>	n/a	100%	n/a	–	n/a	–
C Wallace <sup>(6)</sup>	n/a	100%	n/a	–	n/a	–
<b>Executive KMP</b>						
C Ransley <sup>(9)</sup>	28%	100%	–	–	72%	–
D McCarthy <sup>(10)</sup>	43%	95%	–	–	57%	–
N Boom	59%	90%	–	–	41%	–
M Etccl <sup>(11)</sup>	51%	100%	–	–	49%	–
C Van Tonder <sup>(12)</sup>	100%	100%	n/a	–	–	–

<sup>(1)</sup> resigned 31 March 2021.

<sup>(2)</sup> resigned 31 July 2020.

<sup>(3)</sup> resigned 23 December 2019.

<sup>(4)</sup> appointed 14 July 2020.

<sup>(5)</sup> appointed 7 September 2020.

<sup>(6)</sup> resigned 13 July 2020.

<sup>(7)</sup> resigned 24 June 2020.

<sup>(8)</sup> resigned 22 August 2020.

<sup>(9)</sup> appointed Executive Chairman 1 April 2021, previously held the role of Executive Deputy Chairman.

<sup>(10)</sup> appointed Managing Director 1 April 2021, previously held the role of Chief Executive Officer.

<sup>(11)</sup> Ms Etccl was appointed KMP from 1 September 2020. Role change to Chief Financial Officer and Company Secretary effective 7 October 2021.

<sup>(12)</sup> ceased being a member of KMP on 7 October 2021

At risk incentives include cash bonuses and options. Options issued to directors are considered at risk due to the market conditions attached which could result in the options having nil value at vesting date.

# Remuneration report continued

## 4. SHARE-BASED COMPENSATION

### Issue of shares

There have been no shares issued to directors or other key management personnel as part of compensation during this financial year.

Details of shares issued to directors and other key management personnel as part of compensation during the previous financial year are set out below.

Name	Date	Shares	Issue Price	Fair Value
W. King AO	29 December 2020	1,000,000	\$0.165	\$165,000

### Options to directors and executives

Under the Company's previous LTI Plan, both Directors and Executive KMP could be awarded options.

The award of options to Directors is subject to shareholder approval and the award of options to other Executive KMP is subject to Board approval on the proviso that the terms and conditions of the award is consistent with the terms and conditions of the LTI approved by shareholders within the last three years.

No options to Directors or other key management personnel were granted, vested or lapsed during the year ended 30 June 2022.

### Fair value measurement of options

Options issued to non-executive directors and Executive KMP are measured at fair value on grant date. Fair value is independently determined using the Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution, market performance conditions, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

## 5. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

### Shareholding

*The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:*

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
<b>Non-Executive Directors</b>					
G Campbell <sup>(1,2)</sup>	–	–	–	–	–
M Hunter	1,592,309	–	500,000	700,000	1,392,309
G Lewis <sup>(3)</sup>	847,615	–	271,000	–	1,118,615
M Lochtenberg <sup>(1)</sup>	–	–	8,402,393	–	8,402,393
C Lyons	–	–	–	–	–
S Kyriakou <sup>(3)</sup>	–	–	369,962	–	369,962
<b>Executive KMP</b>					
C Ransley <sup>(3,4)</sup>	27,861,863	–	–	–	27,861,863
D McCarthy <sup>(3)</sup>	1,000	–	–	–	1,000
N Boom	–	–	–	–	–
M Etccl <sup>(3)</sup>	2,110	–	–	–	2,110
C van Tonder	–	–	–	–	–

<sup>(1)</sup> appointed 28 January 2022

<sup>(2)</sup> appointed Non-Executive Chairman 8 July 2022. Previously held the role of Non-Executive Director

<sup>(3)</sup> Rainbow Max Limited, as trustee for Rainbow Max Unit Trust, held 20,577,220 fully paid ordinary shares in the Company as at 30 June 2022. Mr Lewis, Mr Kyriakou, Mr Ransley, Mr McCarthy and Ms Etccl (via nominees) are all unitholders of the Trust.

<sup>(4)</sup> Resigned 8 July 2022



# Remuneration report continued

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001 (Cth)*.

On behalf of the directors



**Graeme Campbell**  
Non-executive Chairman



**Danny McCarthy**  
Managing Director

30 September 2022  
**Sydney**

 Blair Athol





## SECTION 4

# FINANCIAL REPORT

## GENERAL INFORMATION

The financial statements are presented in Australian dollars (AUD), which is TerraCom Limited presentation currency. The functional currency of the Australian exploration and United Kingdom subsidiaries is Australian Dollars (AUD), the South African subsidiaries is South African Rand (ZAR), and the rest 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.



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# TerraCom Limited

Financial statements for the year ended 30 June 2022



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

	Note(s)	Consolidated	
		2022 \$ '000	2021 \$ '000
Revenue		804,626	549,007
Cost of goods sold		(390,145)	(489,109)
<b>Gross profit from continuing operations</b>		<b>414,481</b>	<b>59,898</b>
Net foreign exchange gain / (loss)		1,424	(4,946)
Other operating and administration expenses	4	(37,873)	(37,954)
Share of profit / (loss) of associate		20,940	(5)
		<b>398,972</b>	<b>16,993</b>
Finance income		1,362	1,261
Finance expenses	5	(45,452)	(46,830)
Depreciation and amortisation expense		(27,564)	(42,926)
Gain on deconsolidation	43	30,690	-
Impairment of assets		(6,730)	(33,576)
Loss on disposal of fixed assets		(1)	(1,046)
<b>Profit / (loss) before taxation from continuing operations</b>		<b>351,277</b>	<b>(106,124)</b>
Income tax (expense) / benefit	7	(102,168)	11,558
<b>Profit / (loss) after taxation from continuing operations</b>		<b>249,109</b>	<b>(94,566)</b>
<b>Profit / (loss) attributable to:</b>			
Owners of TerraCom Limited		196,131	(84,057)
Non-controlling interest		52,978	(10,509)
		<b>249,109</b>	<b>(94,566)</b>
<b>Earnings per share for profit (loss) from continuing operations attributable to the owners of TerraCom Limited</b>			
Basic earnings / (loss) per share (cents)	8	25.95	(11.15)
Diluted earnings / (loss) per share (cents)	8	25.89	(11.15)

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



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Consolidated statement of Other Comprehensive Income for the year ended 30 June 2022

Note(s)	Consolidated	
	2022 \$ '000	2021 \$ '000
Profit / (loss) for the year	249,109	(94,566)
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Foreign currency translation	(8,366)	28,691
Other	-	-
Other comprehensive income for the year net of taxation	(8,366)	28,691
<b>Total comprehensive income / (loss)</b>	<b>240,743</b>	<b>(65,875)</b>
<b>Total comprehensive income / (loss) attributable to:</b>		
Owners of TerraCom Limited	190,474	(59,485)
Non-controlling interest	50,269	(6,390)
	<b>240,743</b>	<b>(65,875)</b>

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

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Consolidated statement of Financial Position as at 30 June 2022

	Notes(s)	Consolidated	
		2022 \$ '000	2021 \$ '000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	69,572	11,186
Trade and other receivables	10	61,426	67,232
Inventories	11	6,005	21,717
Ndalamo loan receivable	12	4,169	4,368
		<b>141,172</b>	<b>104,503</b>
<b>Non-Current Assets</b>			
Trade and other receivables	10	17,520	2,254
Restricted cash	13	45,031	47,032
Investments accounted for using the equity method	42	92,781	38
Other financial assets	14	1,512	8,362
Property, plant and equipment	15	93,376	285,128
Exploration and evaluation assets	16	14,149	123,568
Deferred tax	17	-	39,683
Other non-current assets	18	16,667	13,423
		<b>281,036</b>	<b>519,488</b>
<b>Total Assets</b>		<b>422,208</b>	<b>623,991</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	108,457	127,375
Current tax liability		44,730	-
Borrowings	20	12,073	272,772
Lease liabilities	21	363	1,652
Provisions	22	3,192	3,360
Financial liabilities	23	-	895
		<b>168,815</b>	<b>406,054</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	24	-	1,305
Borrowings	20	24,847	41,824
Lease liabilities	21	51	280
Deferred tax	17	11,839	29,182
Provisions	22	71,031	167,686
Ndalamo loan payable	12	-	5,165
		<b>107,768</b>	<b>245,442</b>
<b>Total Liabilities</b>		<b>276,583</b>	<b>651,496</b>
<b>Net Assets / (Liabilities)</b>		<b>145,625</b>	<b>(27,505)</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Consolidated statement of Financial Position as at 30 June 2022 (continued)

	Note(s)	Consolidated	
		2022 \$ '000	2021 \$ '000
<b>EQUITY</b>			
<b>Equity Attributable to Equity Holders of Parent</b>			
Issued capital	25	373,203	335,657
Reserves	27, 28	21,995	29,760
Accumulated loss	29	(249,692)	(445,823)
<hr/>			
Attributable to the owners of TerraCom Limited		145,506	(80,406)
Non-controlling interest	30	119	52,901
<hr/>			
<b>Total equity</b>		<b>145,625</b>	<b>(27,505)</b>

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



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Consolidated statement of changes in equity for the year ended 30 June 2022

	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Share based payments / options reserve \$ '000	Accumulated losses \$ '000	Total Equity Attributable to the owners of TerraCom Limited \$ '000	Non- controlling interest \$ '000	Total equity \$ '000
<b>Balance at 01 July 2020</b>	<b>335,492</b>	<b>5,187</b>	<b>11,911</b>	<b>(373,737)</b>	<b>(21,147)</b>	<b>62,171</b>	<b>41,024</b>
Loss for the year after income tax	-	-	-	(84,057)	(84,057)	(10,509)	(94,566)
Other comprehensive income	-	24,573	-	-	24,573	4,118	28,691
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>24,573</b>	<b>-</b>	<b>(84,057)</b>	<b>(59,484)</b>	<b>(6,391)</b>	<b>(65,875)</b>
Transfer between equity accounts	-	-	(11,971)	11,971	-	-	-
Share based payments	165	-	60	-	225	-	225
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	-	(2,879)	(2,879)
<b>Balance at 01 July 2021</b>	<b>335,657</b>	<b>29,760</b>	<b>-</b>	<b>(445,823)</b>	<b>(80,406)</b>	<b>52,901</b>	<b>(27,505)</b>
Profit for the year after income tax	-	-	-	196,131	196,131	52,978	249,109
Other comprehensive income	-	(5,657)	-	-	(5,657)	(2,709)	(8,366)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(5,657)</b>	<b>-</b>	<b>196,131</b>	<b>190,474</b>	<b>50,269</b>	<b>240,743</b>
Deconsolidation of subsidiaries FCTR (note 43)	-	(2,108)	-	-	(2,108)	(9,620)	(11,728)
Deconsolidation of subsidiaries (note 43)	-	-	-	-	-	(89,690)	(89,690)
Share issue (conversion of debt) (note 25)	36,650	-	-	-	36,650	-	36,650
Share issue (issue of options) (note 25)	1,165	-	-	-	1,165	-	1,165
Share issue (transaction costs) (note 25)	(269)	-	-	-	(269)	-	(269)
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	-	(3,741)	(3,741)
<b>Balance at 30 June 2022</b>	<b>373,203</b>	<b>21,995</b>	<b>-</b>	<b>(249,692)</b>	<b>145,506</b>	<b>119</b>	<b>145,625</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Consolidated statement of cashflows for the year ended 30 June 2022

	Note(s)	Consolidated	
		2022 \$ '000	2021 \$ '000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		825,732	525,676
Cash paid to suppliers and employees		(453,939)	(499,895)
Interest received		5,018	114
Tax payments made		(5,103)	(2,281)
Interest paid		(52,422)	(17,825)
Receipts / (payments) relating to secured deposits		(3,640)	-
<b>Net cash from operating activities</b>	<b>32</b>	<b>315,646</b>	<b>5,789</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	15	(7,653)	(27,415)
Sale of property, plant and equipment		-	264
Payments for exploration and evaluation		(136)	(952)
Payments for financial asset (mining rehabilitation guarantee)		(32)	(3,321)
Payments for cash advances to other parties		-	(5,584)
Loan repayment (to) / from Ndalamo Resources		4,217	(6,696)
Deconsolidation – cash and cash equivalents	43	(18,596)	-
Loan to Universal Coal Development VII (Pty) Ltd – joint venture		-	(101)
Dividends received from associates		8,353	-
<b>Net cash (used in) / from investing activities</b>		<b>(13,847)</b>	<b>(43,805)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,165	-
Proceeds from borrowings		2,992	56,031
Repayment of borrowings		(244,125)	(12,051)
Transfer to restricted cash		(365)	-
Repayment of land royalty agreement		-	(701)
Repayment of principal component of lease liabilities		(1,567)	(1,127)
Dividend paid by subsidiary to non-controlling interest		(3,742)	(2,879)
<b>Net cash (used in) / from financial activities</b>		<b>(245,642)</b>	<b>39,273</b>
Total cash movement for the year		56,157	1,257
Cash at the beginning of the year		11,186	10,108
Effect of exchange rate movement on cash equivalents		2,229	(179)
<b>Total cash at end of the year</b>	<b>9</b>	<b>69,572</b>	<b>11,186</b>

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

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 (Cth), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Going Concern

The financial report has 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.

As at 30 June 2022 the Group had a net current asset deficiency of \$28 million (30 June 2021: \$302 million).

During the period, the Group generated a profit after tax of \$249 million and cash inflows from operating activities of \$316 million, driven by strong global demand for commodities. The improved results and free cash flows generated for the period allowed the Group to fully repay the Euroclear Bond, which was held as a current liability as of 30 June 2021. The Group is now largely debt free, with the exception of a \$37 million loan held by TerraCom's wholly owned South African Subsidiary, Universal Coal Energy Holdings South Africa (UCEHSA), which has on-lent the funds to the now deconsolidated South African operations.

The Group is expected to realise its assets and settle its liabilities in the ordinary course of business for at least the 12 months from the date of this financial report, and therefore in the directors' opinion, the going concern basis of preparation remains appropriate which is supported by:

1. The strong ongoing profitability and cash flows being generated by the Group;
2. The significantly reduced debt burden on the Group, subsequent to the repayment of the Euroclear bond; and
3. The continued prevailing global thermal coal market.

#### Historical cost convention

The 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.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

These accounting policies are consistent with the previous period.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 1.3 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 40.

### 1.4 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TerraCom Limited ('Company' or 'parent entity') 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 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 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-controlling interest 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.

### 1.5 Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### 1.6 Foreign currency translation

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

#### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Notes to the Financial Statements

### 1.6 Foreign currency translation (continued)

#### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### 1.7 Revenue recognition

The Group recognises revenue as follows:

#### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### 1.8 Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Notes to the Financial Statements

### 1.8 Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### 1.9 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### 1.10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash is not available for use by the Group and therefore is not considered highly liquid, for example, cash set aside to cover rehabilitation obligations.

### 1.11 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### 1.12 Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 1.13 Derivative financial instruments

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

## Notes to the Financial Statements

### 1.14 Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 1.15 Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.



## Notes to the Financial Statements

### 1.16 Property, plant and equipment

Land and buildings are stated at historical cost. Plant and equipment are stated at historical cost less accumulate depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a units of production method for plant and equipment and mine development based on original cost and a straight-line basis for other assets with expected useful lives as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Furniture, fixtures and fittings	Straight line	1-10 years
Office equipment	Straight line	1-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The Group's right-of-use assets are depreciated on a straight line basis over the lease term.

### 1.17 Deferred stripping

Deferred stripping expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively. The stripping activity asset is subsequently depreciated on a units of production basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. For the purposes of assessing impairment, deferred stripping costs are grouped with other assets of the relevant cash generating unit.

### 1.18 Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

### 1.19 Impairing of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## Notes to the Financial Statements

### 1.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition except those classified as non-current which are paid after 12 months from year end.

### 1.21 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### 1.22 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### 1.23 Restoration and rehabilitation

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past events, and it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated costs of rehabilitation include the current cost of re-contouring, topsoiling and revegetation based on legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a liability with a corresponding asset included in mining property and development assets.

## Notes to the Financial Statements

### 1.23 Restoration and rehabilitation (continued)

At each reporting date, the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance expense in the consolidated statement of comprehensive income as it occurs.

For closed mines, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the consolidated statement of comprehensive income as incurred.

### 1.24 Finance cost

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### 1.25 Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### 1.26 Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### Long-term employee benefits

For long service leave payable beyond 12 months the amount payable is discounted back to the present value of the liability.

#### Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, market performance conditions, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non vesting and market conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

## Notes to the Financial Statements

### 1.26 Employee benefits (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Monte Carlo or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

The company elects to transfer the share-based reserve for cancelled share options to retained earnings.

### 1.27 Deferred revenue

Deferred revenue is recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

### 1.28 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.



## Notes to the Financial Statements

### 1.28 Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### 1.29 Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 1.30 Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### 1.31 Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange. Transaction costs arising on the issue of equity are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest assumed. The non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss as a revaluation gain or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## Notes to the Financial Statements

### 1.31 Business combinations (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

When acquisitions are achieved in stages (stepped acquisition), non-controlling interest acquired subsequent to the acquisition date is recorded only in equity and does not result in recognition of a gain or loss.

### 1.32 Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of TerraCom Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### 1.33 Goods and Services Tax ('GST'), Value Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the tax authority.

### 1.34 Rounding

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

## Notes to the Financial Statements

### 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.

#### Carrying value of assets

The Group assesses at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount of an individual asset, or cash generating unit is determined based on the higher of fair value less cost of disposal (FVLCD) or value in use (VIU). These calculations require the use of estimations and assumptions.

Estimated future cash flows used to determine FVLCD 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 FVLCD.

#### Carrying value of exploration and evaluation assets

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

#### Mineral reserves and resources

The estimated quantities of economically recoverable Reserves and Resources are based upon interpretations of geological and geophysical models and require assumptions to be made requiring factors such as estimates of future operating performance, future capital requirements, and coal prices. The Group is required to determine and report Reserves and Resources under the Australian Code for Reporting Mineral Resources and Ore Reserves December 2012 (JORC code). The JORC code requires the use of reasonable investment assumptions to calculate reserves and resources. Changes in reported reserves and resources can impact the life of mine, which impacts the carrying value of mining assets, rehabilitation provisioning and amortisation and depreciation.

## Notes to the Financial Statements

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

#### Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitation in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### Valuation of financial instruments

In respect of the instruments measured at amortised cost, judgement is required in estimating the timing of expected cash inflows and outflows used in applying the effective interest rate method. These cash flows are dependent on timing of future coal production, and timing of debt repayments.

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability.

#### Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs. The most significant assumptions as part of the future probability estimate include; future production profiles, future commodity prices, expected operating costs, future development costs necessary to produce the reserves and value attributable to additional resource.

All available evidence is considered when determined forecast assumptions, including approved budgets, forecasts and business plans, impact of climate change policy (enacted and future) and, in certain cases, analysis of historical operating results.

The estimates described above require significant management judgement and are subject to risk and uncertainty that maybe beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of deferred tax asset at each reporting date.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 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 have similar 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 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 in 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 chief operating decision-makers 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 re charges were allocated to the reporting segments.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 3. Operating segments

#### Operating segment information

2022

	Australia \$'000	South Africa* \$'000	Unallocated /Corporate \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	565,393	239,233	-	804,626
Cost of goods sold	(203,251)	(186,894)	-	(390,145)
<b>Gross Profit</b>	<b>362,142</b>	<b>52,339</b>	<b>-</b>	<b>414,481</b>
Other operating and administration expenses	(3,074)	(17,624)	(17,175)	(37,873)
Net foreign exchange gain / (loss)	(333)	3,855	(2,098)	1,424
Share of profits / (losses) of associates accounted for using the equity method	-	20,940	-	20,940
<b>Operating Profit</b>	<b>358,735</b>	<b>59,510</b>	<b>(19,273)</b>	<b>398,972</b>
Depreciation and amortisation expense	(14,505)	(12,695)	(363)	(27,563)
Loss on disposal	-	(1)	-	(1)
Impairment of exploration assets	(8,661)	1,931	-	(6,730)
Gain on deconsolidation	-	30,690	-	30,690
Net finance expenses	(2,535)	(4,566)	(36,990)	(44,091)
<b>Profit before taxation from continuing operations</b>	<b>333,034</b>	<b>74,870</b>	<b>(56,627)</b>	<b>351,277</b>
Profit before taxation				351,277
Income tax expense				(102,168)
<b>Profit after taxation from continuing operations</b>				<b>249,109</b>
<b>Assets</b>				
Segment assets	307,963	114,245	-	422,208
<b>Total assets</b>	<b>307,963</b>	<b>114,245</b>	<b>-</b>	<b>422,208</b>
<b>Total assets include additions and acquisitions of non-current assets</b>				
Property plant and equipment	5,123	2,530	-	7,653
Exploration and evaluation	76	53	-	129
	<b>5,199</b>	<b>2,583</b>	<b>-</b>	<b>7,782</b>
<b>Liabilities</b>				
Segment liabilities	228,114	48,469	-	276,583
<b>Total liabilities</b>	<b>228,114</b>	<b>48,469</b>	<b>-</b>	<b>276,583</b>

\* The South African Business Unit results noted above are included up to the date of deconsolidation. Refer Note 43 for further details.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 3. Operating segments (continued)

2021

	Australia \$'000	South Africa \$'000	Unallocated /Corporate \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	159,237	389,770	-	549,007
Cost of goods sold	(138,510)	(350,599)	-	(489,109)
<b>Gross Profit</b>	<b>20,727</b>	<b>39,171</b>	<b>-</b>	<b>59,898</b>
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)
<b>Operating Profit</b>	<b>3,403</b>	<b>34,920</b>	<b>(21,330)</b>	<b>16,993</b>
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)
<b>Loss before taxation from continuing operations</b>	<b>(45,900)</b>	<b>(3,154)</b>	<b>(57,070)</b>	<b>(106,124)</b>
Loss before income tax				(106,124)
Income tax benefit				11,558
<b>Loss after income tax benefit from continuing operations</b>				<b>(94,566)</b>
<b>Assets</b>				
Segment assets	216,214	404,750	3,027	623,991
<b>Total assets</b>	<b>216,214</b>	<b>404,750</b>	<b>3,027</b>	<b>623,991</b>
<b>Total assets include additions and acquisitions of non-current assets</b>				
Property, plant and equipment	4,835	23,830	-	28,665
Exploration and evaluation	7	945	-	952
	<b>4,842</b>	<b>24,775</b>	<b>-</b>	<b>29,617</b>
<b>Liabilities</b>				
Segment liabilities	137,288	246,500	267,708	651,496
<b>Total liabilities</b>	<b>137,288</b>	<b>246,500</b>	<b>267,708</b>	<b>651,496</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 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:

	2022 \$ '000	2022 %	2021 \$ '000	2021 %
<b>Major customers</b>				
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%
	<b>804,626</b>	<b>100.0%</b>	<b>549,007</b>	<b>100.0%</b>

#### 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	91,989	389,770	307,094
	<b>804,626</b>	<b>281,036</b>	<b>549,007</b>	<b>512,082</b>

### 4. Other operating and administration expenses

	Consolidated	
	2022 \$'000	2021 \$'000
Other operating and administration expenses	10,838	17,396
Employee benefits	17,490	7,197
Bad debts written off / related party loan write off	9,545	2,619
Contract termination fee *	-	10,742
	<b>37,873</b>	<b>37,954</b>

\* Fee associated with the termination of the life of mine sales and marketing contract at the Blair Athol Coal Mine.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 5. Financial expenses

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense on interest bearing loans	30,089	39,711
Unwinding of discount on rehabilitation provision	3,404	2,745
Interest on leases	134	243
Other interest and finance expense	4,084	4,131
Fair value adjustment on share issue	7,741	-
<b>Total finance costs</b>	<b>45,452</b>	<b>46,830</b>

Other interest and finance expense includes interest on creditor repayments and interest on related party loans.

### 6. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young (TerraCom Limited Auditor) and BDO (UCEHSA Group auditor), the auditors of the Group:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
<b>Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities</b>		
Audit or review of the financial statements	1,625,665	1,926,359
<b>Other services</b>		
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	8,000
Fees for other services – Indirect South African tax implementation discussions (Carbon tax)	-	12,262
	-	20,262
	<b>1,625,665</b>	<b>1,946,621</b>
<b>Audit services</b>		
Ernst & Young (Australia)	1,216,325	1,013,651
Ernst & Young (Singapore)	-	34,000
BDO (United Kingdom)	86,405	342,603
BDO (South Africa)	322,935	536,105
	<b>1,625,665</b>	<b>1,926,359</b>
<b>Other services</b>		
Ernst & Young (Australia)	-	8,000
Ernst & Young (Singapore)	-	12,262
	-	20,262
	<b>1,625,665</b>	<b>1,946,621</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 7. Taxation

#### Reconciliation of the tax expenses

	Consolidated	
	2022	2021
	\$'000	\$'000
Current tax expense	52,413	5,228
Deferred tax expense/(benefit)	49,755	(16,786)
	<b>102,168</b>	<b>(11,558)</b>

#### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Profit/(loss) before income tax benefit	351,277	(106,124)
Tax at the applicable tax rate of 30% (2021: 30%)	105,383	(31,837)

#### Tax effect amounts which are not deductible/(taxable) in calculating taxable income

Non-taxable items	2,761	(2,506)
Deferred tax assets not recognised	(237)	5,503
Adjustments in respect of current income tax of previous years	5,601	1,438
Foreign exchange	700	3,698
Non-deductible expenses	(1,544)	10,063
Other	(10,625)	1,848
	<b>102,039</b>	<b>(11,793)</b>

Difference in overseas tax rates	129	235
<b>Income tax benefit</b>	<b>102,168</b>	<b>(11,558)</b>

#### Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

Tax losses (South Africa)	(395)	12,569
Tax losses (Australia)	-	12,282
Tax losses (Singapore)	-	871
<b>Total deferred tax assets not recognised</b>	<b>(395)</b>	<b>25,722</b>

### 8. Earnings per share

#### Basic earnings / (loss) per share

Basic earnings per share is determined by dividing profit (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 8. Earnings per share

#### Basic earnings / (loss) per share

	Consolidated	
	2022	2021
	\$ '000	\$ '000
From continuing operations (cents per share)	25.95	(11.15)

Basic earnings per share was based on earnings of \$196.1 million (2021: loss of \$84.0 million) and a weighted average number of ordinary shares of 755,910,873 (2021: 754,106,260).

	Consolidated	
	2022	2021
	\$ '000	\$ '000
<b>Reconciliation of profit (loss) for the year to basic earnings</b>		
Profit (loss) for the year attributable to equity holders of the parent	196,131	(84,057)
	<b>196,131</b>	<b>(84,057)</b>

#### Diluted earnings per share

From continuing operations (cents per share)	25.89	(11.15)
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Diluted earnings per share was based on earnings of \$196.1 million (2021: loss of \$84.0 million) and a weighted average number of ordinary shares inclusive of unquoted options of 757,577,540 (2021: 754,106,260).

There were no dilutive instruments at the 2021 year end.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Cash at bank	69,572	11,186

### 10. Trade and other receivables

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Trade receivables	43,096	56,386
Trade receivables – related parties	27,348	-
Long service leave receivable	2,475	2,254
Other receivables	6,027	10,846
<b>Total trade and other receivables</b>	<b>78,946</b>	<b>69,486</b>

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%).

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 10. Trade and other receivables (continued)

The trade receivables – related parties balance is net of provisions for bad debts and 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 20, 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.

#### Split between non-current and current portions

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Current assets	61,426	67,232
Non-current assets	17,520	2,254
	<b>78,946</b>	<b>69,486</b>

### 11. Inventories

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Coal Stock	5,537	21,010
Consumables and stores	468	707
	<b>6,005</b>	<b>21,717</b>

Coal inventory has been valued at the lower of cost or net realisable value.

### 12. Loans receivable

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Ndalamo Resources (Pty) Limited - loan receivable	4,169	8,691
Ndalamo Resources (Pty) Limited - loan payable	-	(9,488)
	<b>4,169</b>	<b>(797)</b>

#### Split between current and non-current portions:

Total receivable	4,169	8,691
Off-set against liability	-	(4,323)
<b>Total current asset</b>	<b>4,169</b>	<b>4,368</b>
Total payable	-	(9,488)
Off-set against liability	-	4,323
<b>Total non-current liability</b>	<b>-</b>	<b>(5,165)</b>
<b>Net</b>	<b>4,169</b>	<b>(797)</b>



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 12. Loans receivable (continued)

The loan receivable was established in 2015 for funding contributions pursuant to the acquisition and development of the New Clydesdale Colliery which is owned jointly by Ndalamo Resources (Pty) Ltd (**Ndalamo**) and Universal Coal and Energy Holdings South Africa (Pty) Ltd (**UCEHSA**). The loan is secured against a second ranking share pledge (after SBSA) of Ndalamo's shares in Universal Coal Development IV (Pty) Ltd and Universal Coal Development VIII (Pty) Ltd, bears interest at Prime plus 1% and is fully repayable by 30 June 2023 in varying capital instalments.

The loan payable to Ndalamo, as reported for the financial year ended 30 June 2021, was established as a result of Ndalamo's development contributions to the South African subsidiaries that are jointly owned by Ndalamo and UCEHSA. The loans payable bear interest at Prime and have no fixed terms of repayment.

The legal agreements signed for the receivable and payable allow for legal off-setting of the amounts. Credit risk was assessed in relation to the receivable and no risk was identified given the agreed legal off-setting.

### 13. Restricted cash

	Consolidated	
	2022 \$ '000	2021 \$ '000
Bank deposit	31	2,032
Security deposit	45,000	45,000
	<b>45,031</b>	<b>47,032</b>

The bank deposit relates to a \$0.03 million of standby equity and security for financial and supplier guarantees provided by financial institutions on behalf of the Group's South African operations.

The secured deposit relates to the cash pledged as security for the issuance of insurance bond to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Blair Athol Coal Mine's Environmental Authority EPML00876713. In the 2019 financial year, the Company completed an insurance bond facility of approximately \$72 million, however only requires a cash backing of \$45.0 million. The secured deposit is held by Westpac, which at reporting date was bearing an interest rate of 0.25% per annum, with interest receivable 6 monthly in arrears.

### 14. Other financial assets

	Consolidated	
	2022 \$ '000	2021 \$ '000
Mining rehabilitation guarantees	<b>1,512</b>	<b>8,362</b>

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.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 15. Property, plant and equipment

Consolidated	2022			2021		
	Cost \$'000	Accumulated depreciation \$'000	Carrying Value \$'000	Cost \$'000	Accumulated depreciation \$'000	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	638	(403)	235	778	(243)	535
Right-of-use assets – plant and equipment	3,463	(3,233)	230	3,100	(1,638)	1,462
Capital – work in progress	1,045	-	1,045	20,469	-	20,469
<b>Total</b>	<b>222,097</b>	<b>(128,721)</b>	<b>93,376</b>	<b>461,437</b>	<b>(176,309)</b>	<b>285,128</b>

## TerraCom Limited

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### Notes to the Financial Statements

#### 15. Property, plant and equipment (continued)

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
<b>Consolidated – 2022</b>									
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	(149,856)	-	5,429	(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
<b>Total</b>	<b>285,128</b>	<b>7,653</b>	<b>(858)</b>	<b>-</b>	<b>(175,205)</b>	<b>(38)</b>	<b>4,260</b>	<b>(27,564)</b>	<b>93,376</b>
<b>Consolidated – 2021</b>									
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	-	10,292	12,579	(36,284)	224,744
Right-of-use assets* – land & buildings	1,019	-	-	-	-	(433)	70	(121)	535
Right-of-use assets* – plant & equipment	3,716	1,250	-	-	-	(1,998)	(344)	(1,162)	1,462
Capital – work in progress	27,797	13,962	-	(22,774)	-	-	1,484	-	20,469
<b>Total</b>	<b>279,553</b>	<b>28,665</b>	<b>(961)</b>	<b>-</b>	<b>-</b>	<b>7,861</b>	<b>12,936</b>	<b>(42,926)</b>	<b>285,128</b>

\* For the year ended 30 June 2021, the right of use change in estimate relates to modifications to leases and mine development change in estimate relates to rehabilitation provision adjustments for changes in assumptions.

#### Right-of-use assets

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

## Notes to the Financial Statements

### 15. Property, plant and equipment (continued)

#### 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.

No indicators of impairment were identified for the period ended 30 June 2022 and as a result no detailed impairment testing was required.

In the event that impairment testing is required 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 assets. 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.

The recoverable value of the Company's Coal Resources and Reserves (including its plant and equipment) is most sensitive to the following items:

1. Domestic thermal coal demand. In determining this the Company considers the contracted volumes it has contracted with domestic power producers, as well as the South African forecasted electricity demand over the mine life.
2. Export coal demand. In determining this the Company considers its export contracted volumes, as well as the forecasted coal demand over the mine life.
3. USD coal prices. In determining this the Company considers the futures pricing on or around period end.
4. ZAR:USD foreign exchange rate. In determining this the Company considers the futures pricing on or around period end.
5. The discount rate derived using the weighted average cost of capital methodology adjusted for any risks that are not reflected in the underlying cash flows.
6. The estimated quantities of economically recoverable reserves and resources are based on interpretations of geological and geophysical models, which require assumptions to be made on factors, including future operating performance, capital requirements, and economic assumptions (coal price and foreign exchange). Any change in the recoverable reserves and resources may result in an amendment to the life of the mine.

Any material change in these assumptions or circumstances may result in a future impairment being recognised in future reporting periods.



# TerraCom Limited

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## Notes to the Financial Statements

### 16. Exploration and evaluation assets

Consolidated	2022			2021		
	Cost \$'000	Impairment/ Deconsolid- ation \$'000	Carrying value \$'000	Cost \$'000	Impairment \$'000	Carrying value \$'000
Exploration and evaluation	123,697	(109,548)	14,149	157,144	(33,576)	123,568

### Reconciliation of exploration and evaluation assets

	Opening balance \$'000	Additions \$'000	Deconsolid- ation \$'000	Exchange differences \$'000	Impairment loss \$'000	Total \$'000
<b>Consolidated – 2022</b>						
Exploration and evaluation	123,568	129	(99,653)	(3,165)	(6,730)	14,149
<b>Consolidated – 2021</b>						
Exploration and evaluation	150,888	952	-	5,304	(33,576)	123,568

## Notes to the Financial Statements

### 16. Exploration and evaluation (continued)

#### Exploration and evaluation

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 Group identified a number of indicators of impairment, related to market conditions and the Group's strategic plans. As a result, a number of areas of interest were determined to have a recoverable amount of nil. As a result of this, the Group has recognised an impairment of \$6,730,000 in the Statement of Profit or Loss for the year ended 30 June 2022 (30 June 2021: \$ 33,576,000).

Due to a change in the short term strategic plans of the TerraCom Group, the Group has now fully impaired all Australian exploration assets. During FY2022 this has meant that the carrying value of the Springsure Project (owned 90% by TerraCom) and the adjoining Fernlee Project (owned 100% by TerraCom) have been written down to \$nil. These tenements have been written down to \$nil from an accounting point of view only, and therefore the Company is committed to continuing to maintain compliance with the terms of the tenement licence, including completing the necessary exploration activities (as amended) with the mining department in order to preserve the long term value that these projects could provide to the TerraCom Group. The Company may also look to other value accretive opportunities with these tenements, such as joint venture or earn in agreements with third parties, noting there would be no accounting impact as the carrying value of these assets are \$nil. The short term strategic plan change of the TerraCom Group is to allow it to focus on its existing cash generative operations in Australia and South Africa in order to extract maximum value by taking advantage of the current market conditions, and its South African projects (primarily the Eloff thermal coal project and the Berenice Cygnus coking coal project) which are more advanced in the approvals and development timeline compared to the Australia exploration assets.

#### Australian mining and exploration tenements

Tenement No.	Operation/Project	Location	2022	2021
EPC 1260	Northern Galilee (Clyde Park)	Charters Towers, Queensland, Australia	64.40%	64.40%
EPC 1300	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC1394	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1477	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1478	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1641	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 2049	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1890	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1892	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1893	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%

# TerraCom Limited

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## Notes to the Financial Statements

### 16. Exploration and evaluation (continued)

Tenement No.	Operation/Project	Location	2022	2021
EPC 1962	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1964	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1674	Springsure (Springsure)	Emerald, Queensland, Australia	87%	90.07%
MDL 3002	Springsure (Springsure)	Emerald, Queensland, Australia	87%	90.07%
EPC 1103	Springsure (Fenlee)	Emerald, Queensland, Australia	100%	100%
ML 1804	Blair Athol	Blair Athol, Queensland, Australia	100%	100%

### South African mining and prospecting rights

Tenement No.	Operation/Project	Location	2022	2021
MP30/5/1/2/2/429MR	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.5%	70.5%
MP30/5/1/1/2/641PR	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.5%	70.5%
LP30/5/1/1/2/376PR	Berenice Project*	Waterpoort, Limpopo Province, South Africa	50%	50%
MP30/5/1/2/2/10027MR	Ununtu Colliery*	Delmas, Mpumalanga Province, South Africa	48.9%	48.9%
MP30/5/1/1/2/492MR	New Clydesdale Colliery*	Kriel, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/2/2/10169MR	Eloff Project*	Delmas, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/2/1/326MR	North Block Complex*	Belfast, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/1/2/19MR(10068 MR)	North Block Complex*	Belfast, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/2/2/10090MR	North Block Complex*	Belfast, Mpumalanga Province, South Africa	49%	49%
LP30/5/1/1/2/1276PR	Cygnus Project*	All Days (Waterpoort), Limpopo Province, South Africa	50%	50%

\* held through equity accounted investment

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 17. Deferred tax

Tax losses	Consolidated	
	2022 \$ '000	2021 \$ '000
<b>Deferred tax asset comprises temporary differences attributable to:</b>		
Tax losses	-	41,855
Provision	22,267	34,699
Borrowings	-	9,919
Borrowing costs	-	136
Leases	-	263
Other	2,092	834
Offset of deferred tax liability	(24,635)	(48,186)
	(276)	39,520
<b>Amounts recognised in equity</b>		
Transaction costs on share issue	276	163
<b>Deferred tax asset</b>	<b>-</b>	<b>39,683</b>
<b>Deferred tax liability comprises temporary differences attributable to:</b>		
Property plant and equipment	(18,730)	(45,842)
Exploration and evaluation	(4,245)	(17,129)
Secured deposits	(13,500)	(13,500)
Consumables	-	(25)
Other	-	(872)
Offset of deferred tax asset	24,635	48,186
<b>Deferred tax liability</b>	<b>(11,839)</b>	<b>(29,182)</b>
Deferred tax liability	(11,839)	(29,182)
Deferred tax asset	-	39,683
<b>Total net deferred tax liability</b>	<b>(11,839)</b>	<b>10,501</b>

TerraCom Limited and its wholly owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. The head entity, TerraCom Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, TerraCom Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 18. Other non-current assets

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Other deposits	16,667	13,423

Other deposits comprise mainly of refundable security deposits paid to Dalrymple Bay Coal Terminal and Aurizon Network for port and below rail contract security for the Blair Athol supply chain. The established history with these parties indicate that an expected loss will be immaterial (less than 1%).

### 19. Trade and other payables

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Trade and other payables	50,522	127,375
Trade payables – related parties	-	-
Deferred Revenue*	57,935	-
	<b>108,457</b>	<b>127,375</b>

\* Deferred revenue relates to amounts received from customers not yet delivered. These are short term in nature and expected to be settled within a 6 month period.

### Fair value of trade and other payables

Due to the short-term nature, the current trade and other payables have a carrying value which approximates their fair value.

### 20. Borrowings

	Consolidated	
	2022	2021
	\$ '000	\$ '000
<b>Current borrowings</b>		
Listed (Euroclear) bond	-	222,830
State Bank of India facilities	-	5,230
Convertible note facility	-	26,684
Prepayment facility	-	2,668
Overdraft	(230)	210
Standard Bank of South Africa facilities	12,303	15,150
	<b>12,073</b>	<b>272,772</b>
<b>Non-current borrowings</b>		
State Bank of India facilities	-	6,240
Standard Bank of South Africa facilities	24,847	35,584
	<b>24,847</b>	<b>41,824</b>

### 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 (A\$222.8 million).

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 20. Borrowings (continued)

#### State Bank of India 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 facility financial liability was extinguished 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.

#### Prepayment facility

The Group entered a coal sales prepayment facility for US\$8 million during the year ended 30 June 2021 and US\$6 million was repaid during the same period. The remaining US\$2 million was repaid during the year ended 30 June 2022.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 21. Lease liabilities

Lease liabilities are secured over the leased assets to which they relate. Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Consolidated	
	2022 \$ '000	2021 \$ '000
As at 1 July	1,932	4,939
Additions	94	1,305
Accretion of interest	134	243
Modifications	-	(127)
Disposals	(3)	(2,826)
Payments	(1,701)	(1,370)
Exchange differences	46	(232)
Deconsolidation	(88)	-
	<b>414</b>	<b>1,932</b>
Current liabilities	363	1,652
Non-current liabilities	51	280
	<b>414</b>	<b>1,932</b>
The following are the amounts recognised in profit or loss:		
Depreciation expense	1,251	1,283
Interest expenses on lease liabilities	134	243
Expenses relating to leases of low-value assets	-	92
	<b>1,385</b>	<b>1,618</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 22. Provisions

#### Environmental

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 which to 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 \$ '000	Deconsolidation \$ '000	Change in Estimate \$ '000	Unwinding of discount \$ '000	Exchange differences \$ '000	Total \$ '000
<b>Mine rehabilitation and closure</b>						
Blair Athol	70,636	-	(7,695)	861	-	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
	<b>165,343</b>	<b>(92,727)</b>	<b>(7,695)</b>	<b>3,404</b>	<b>364</b>	<b>68,689</b>

Reconciliation of provisions – 2021	Opening balance \$ '000	Change in Estimate \$ '000	Unwinding of discount \$ '000	Rehabilitation performed \$ '000	Exchange differences \$ '000	Total \$ '000
<b>Mine rehabilitation and closure</b>						
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
	<b>143,938</b>	<b>10,633</b>	<b>2,734</b>	<b>(448)</b>	<b>8,486</b>	<b>165,343</b>



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 22. Provisions (continued)

	Consolidated	
	2022 \$'000	2021 \$'000
<b>Other (Current)</b>		
<b>Current liability</b>		
Annual leave	3,192	3,360
<b>Non-current liability</b>		
Rehabilitation	68,689	165,343
Long service leave	2,342	2,343
	<b>71,031</b>	<b>167,686</b>

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):

- (1) The decrease in the Blair Athol mine rehabilitation provision relates to the year on the year change in macro assumptions relating to inflation and discount rate.
- (2) \$92.73 million of the decrease relates to South African operations which have been deconsolidated during the (refer note 44).
- (3) \$2.54 million of the increase in the provision relate to unwinding of discount of the deconsolidated operations in South Africa for the period before deconsolidation.

### 23. Financial liabilities

	Consolidated	
	2022 \$ '000	2021 \$ '000
Special interest liability	-	895

#### Special Interest Liability

The Special Interest Liability has been settled as at May 2022 when the Listed (Euroclear) Bond was fully paid off. The Special Interest Liability was part of the Listed (Euroclear) Bond which is denominated in USD and is subject to translation at every reporting date. This instrument required the Company to pay a non-refundable payment of 0.75% of mine gate revenues from Blair Athol, payable six monthly in arrears up to the prepayment of the bonds. This special interest had been treated as a cost of issuing the Listed (Euroclear) bond and being amortised over the life of the bond.

### 24. Non-current trade and other payables

	Consolidated	
	2022 \$ '000	2021 \$ '000
Deferred consideration	-	1,305

On 22 February 2019 Universal Coal Development III (Pty) Ltd entered into a five year instalment sale agreement to purchase the land for the Ubuntu Colliery. The instalment sale agreement is unsecured and is repaid in twenty quarterly payments that commenced on 30 June 2019. The current portion of this liability is included in current trade and other payables.

The fair value of non-current trade and other payables is estimated by discounting future cash flows using rates currently available for payables on similar terms.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 25. Issued capital

	2022	2021	2022	2021
Issued	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	797,851,601	754,607,630	373,203	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
Fair value adjustment on ordinary shares issued to OCP Asia (Singapore) Pte Limited				7,741
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)
<b>Closing Balance</b>	<b>30 June 2022</b>	<b>797,851,601</b>		<b>373,203</b>

### 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 adding 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.

# TerraCom Limited

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## Notes to the Financial Statements

### 26. Share based payments

#### Wallace King AO

Under the terms of the Non-Executive Chairman Appointment Agreement with the Company, Mr. Wallace King AO, is remunerated with \$150,000 of fully paid Ordinary Shares on an annual basis, in advance, subject to a condition precedent that Shareholders approval be obtained before the shares are issued. The issue price is determined between the parties and outlined in the notice of meeting to shareholders.

Fully paid ordinary shares issued directly to Wallace King AO during the previous year are noted below. Mr. King resigned on 31 March 2021.

	<b>2021</b>
Engagement period	1 January 2021 to 31 December 2021
AGM approval date	30 November 2020
Grant date	29 December 2020
Number of shares	1,000,000
Issue price	\$0.150
Fair value (the value of the shares on the grant date)	\$0.165

#### OCP Asia

The previous debt facilities (Amortising Notes and Convertible Notes facilities) with OCP Asia and others, which have been extinguished, had 12,630,833 detachable warrants issued on 26 February 2016.

These warrants were exercisable at the holder's option in exchange for fully paid ordinary shares in the Company at an exercise price of \$0.262 (unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing Price and the Market Price) up until five years from the date of issue.

The key details of these warrants are as follows:

- 12,603,833 detachable warrants.
- Expiry date: five years from the date of issue, being 26 February 2016 (the "warrant maturity date")
- Exercise price is: \$0.0262 per share, unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing price and the Market Price.
- Fully transferrable (either in whole or part) to another sophisticated or professional investor.
- Exercisable at holder's option in exchange for shares in the Company.

The warrants expired on 26 February 2021 without being exercised by the holder.

#### Directors and Executive KMP

##### FY2020 Options

On 19 November 2019, shareholders at the Company's AGM approved the issue of up to 552,687 options to all Directors who were in office at the date of the meeting.

On 19 November 2019, 360,360 unlisted options were granted to Mr. Danny McCarthy and 540,541 options were granted to Mr. Nathan Boom under the Company's LTI program. The options were granted on the same terms and conditions as the director options granted on 19 November 2019.

The FY2020 options never vested as the required vesting conditions relating to performance of the TerraCom share price in comparison to the ASX200 from 1 July 2019 to 30 June 2020 were not met.

Refer to the Remuneration Report for further details regarding the fair value measurement of these options.

# TerraCom Limited

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## Notes to the Financial Statements

### 26. Share based payments (continued)

#### Evolution Capital Pty Ltd

On 19 November 2021, 5,000,000 unquoted options were issued to Evolution Capital Pty Ltd under a lead broker agreement. The options were issued at a strike price of \$0.35. Following the exercise of unquoted options, the Company issued 3,333,333 fully paid ordinary shares on 16 June 2022 and issued a further 1,666,667 fully paid ordinary shares on 29 August 2022.

#### Foster Stockbroking Pty Ltd

On 21 September 2018 1,500,000 unlisted options were issued to Foster Stockbroking Pty Ltd for the provision of institutional research coverage services. The options were issued at a strike price of \$0.60.

The cost of these options are measured at fair value on grant date with the fair value being independently determined using the Black- Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the consultant to receive payment.

Key inputs to the valuation model to determine fair value are noted below:

- Grant date – 21 September 2018
- Share price - \$0.65 as on 21 September 2018
- Exercise price – \$0.60
- Risk free rate – 1.795%
- Volatility – 118.47% based on the historical TerraCom Limited volatility as at the Grant Date

The options expired on 31 August 2020 without being exercised by the holder.

Set out below is a summary of the options granted by the Company:



# TerraCom Limited

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## Notes to the Financial Statements

### 26. Share based payments (continued)

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Number of options lapsed/ forfeited/ cancelled	Balance at the end of the year
<b>2022</b>							
19 Nov 2021	19 Nov 2024	\$0.350	-	5,000,000	3,333,333	-	1,666,667
			-	<b>5,000,000</b>	<b>3,333,333</b>	-	<b>1,666,667</b>
<b>Weighted average exercise price</b>		<b>\$0.3500</b>	<b>\$0.0000</b>	<b>\$0.3500</b>	<b>\$0.3500</b>	<b>\$0.0000</b>	<b>\$0.3500</b>
<b>2021</b>							
20 Mar 2019	20 Mar 2024	\$0.595	400,000	-	-	(400,000)	-
20 Mar 2019	20 Mar 2024	\$0.415	400,000	-	-	(400,000)	-
27 Nov 2018	17 Nov 2023	\$0.415	465,715	-	-	(465,715)	-
26 Feb 2016	26 Feb 2021	\$0.262	12,630,833	-	-	(12,630,833)	-
21 Sep 2018	31 Aug 2020	\$0.600	1,500,000	-	-	(1,500,000)	-
			<b>15,396,548</b>	-	-	<b>(15,396,548)</b>	-
<b>Weighted average exercise price</b>			<b>\$0.3120</b>	<b>\$0.0000</b>	<b>\$0.0000</b>	<b>\$0.3120</b>	<b>\$0.0000</b>

### 27. Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in the Foreign currency translation reserve during the current and previous financial year are set out below:

	Consolidated	
	2022	2021
	\$ '000	\$ '000
At the beginning of the financial year	29,760	5,187
Foreign currency translation through other comprehensive income	(5,657)	24,573
Foreign currency from deconsolidation of subsidiaries	(2,108)	-
	<b>21,995</b>	<b>29,760</b>

# TerraCom Limited

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## Notes to the Financial Statements

### 28. Share-based payments reserve and other reserves

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in the share-based payments reserve during the current and previous financial year are set out below:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>
At the beginning of the financial year	-	11,911
Share based payments expense during the year	-	60
Transfer to accumulated losses	-	(11,971)
<b>Share based payments reserve and other reserves at the end of the financial year</b>	<b>-</b>	<b>-</b>

### 29. Accumulated losses

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Accumulated losses at the beginning of the financial year	(445,823)	(373,737)
Profit / (Loss) after income tax for the year	196,131	(84,057)
Other comprehensive income	-	-
Transfer from share based payments reserve	-	11,971
<b>Accumulated losses at the end of the financial year</b>	<b>(249,692)</b>	<b>(445,823)</b>

### 30. Other non-controlling interest

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Non-controlling interest	119	52,901
Opening balance	52,901	62,171
Loss attributable to non-controlling interest	50,269	(10,509)
Deconsolidation of subsidiaries - FCTR	(9,620)	-
Other comprehensive income attributable to non-controlling interest	-	4,118
Dividend from Subsidiary paid to non-controlling interest	(3,741)	(2,879)
Deconsolidation	(89,690)	-
	<b>119</b>	<b>52,901</b>

### 31. Key management personnel disclosures

Further detail on the directors and key management personnel remuneration are located within the Remuneration Report in the Director's Report.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 32. Cash flow information

	Consolidated	
	2022	2021
	\$ '000	\$ '000
Profit/(Loss) after income tax for the year	249,109	(94,566)
<b>Adjustments for:</b>		
Depreciation and amortisation	27,564	42,926
Fair value adjustment on share issue	7,741	-
Write off of related party loan	9,545	-
Impairment expense	6,730	33,576
Share-based payments	-	60
Loss on disposal of assets	-	1,046
Foreign exchange differences	1,081	(223)
Interest income	(1,375)	(1,146)
Gain on deconsolidation	(30,690)	-
Share of investment in associate	(20,940)	-
Movement in tax balances	96,014	(13,839)
IFRS16 adjustments lease modifications	-	(748)
Rehabilitation provision and other provisions	-	421
Non-cash interest expense	520	29,005
<b>Changes in assets and liabilities*:</b>		
Decrease in inventories	4,231	8,040
(Increase)/decrease in trade and other receivables	(89,027)	(14,927)
(Increase)/decrease in financial assets	6,850	-
(Increase)/decrease in other non-current assets	(3,244)	-
Increase/(decrease) in trade and other payables	55,633	16,164
Increase/(decrease) in provisions	(4,096)	-
	<b>315,646</b>	<b>5,789</b>

\* the changes in assets and liabilities above include the impact of the deconsolidation as disclosed in note 43.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 33. Dividends paid

There were no dividends paid to shareholders during the year ended 30 June 2022 (2021: \$Nil). The directors resolved not to pay a final dividend with respect to the year ended 30 June 2021.

### 34. Financial instruments

#### Categories of financial instruments

#### Categories of financial assets

<b>2022</b>	<b>Note</b>	<b>Amortised cost</b>	<b>Fair value</b>
Ndalamo loans receivable	12	4,169	4,169
Trade and other receivables	10	78,946	78,946
Cash and cash equivalents	9	69,572	69,572
Restricted cash		45,031	45,031
Other financial asset		1,512	1,512
Other non-current asset (deposit)		16,667	16,667
		<b>215,897</b>	<b>215,897</b>

<b>2021</b>	<b>Note</b>	<b>Amortised cost</b>	<b>Fair value</b>
Ndalamo loan receivable	12	4,368	4,368
Trade and other receivables	10	67,232	67,232
Cash and cash equivalents	9	11,186	11,186
Restricted cash		47,032	47,032
Other non-current assets		13,423	13,423
		<b>143,241</b>	<b>143,241</b>

#### Categories of financial liabilities

<b>2022</b>	<b>Note</b>	<b>Amortised cost</b>	<b>Fair value</b>
Trade and other payables	19	50,522	50,522
Borrowings	20	36,920	36,920
Lease liabilities	21	414	414
		<b>87,856</b>	<b>87,856</b>

<b>2021</b>	<b>Note</b>	<b>Amortised cost</b>	<b>Fair value</b>
Trade and other payables	19	128,860	128,860
Borrowings	20	314,596	314,596
Other financial liabilities (current)	23	895	895
Ndalamo loan payable		5,165	5,165
		<b>449,516</b>	<b>449,516</b>

## Notes to the Financial Statements

### 34. Financial instruments (continued)

#### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

#### Market risk

The Group's plans for any revenue are to be derived mainly from the sale of coal and/or coal products. Consequently, the Group's financial position, operating results and future growth will closely depend on the market price of each of these commodities. Market prices of coal products are subject to large fluctuations in response to changes in demand and/or supply and various other factors.

These changes can be the result of uncertainty or several industry and macroeconomic factors beyond the control of the Group, including political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates. If market prices of the commodities sold by the Group were to fall below production costs for these products and remain at that level for a sustained period of time, the Group would be likely to experience losses, having a material adverse effect on the Group. The Group does not currently hedge against coal price and foreign exchange.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis.

#### Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.



## Notes to the Financial Statements

### 34. Financial instruments (continued)

#### Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

<b>2022</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
<b>Non-interest bearing</b>				
Non-interest bearing Trade payables	50,522	-	-	50,522
<b>Interest bearing – variable</b>				
Borrowings (excluding lease liabilities)	12,073	24,847	-	36,920
Other financial liabilities	-	-	-	-
Lease liabilities	363	51	-	414
	<b>62,958</b>	<b>24,898</b>	<b>-</b>	<b>87,856</b>
<b>2021</b>				
	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
<b>Non-interest bearing</b>				
Non-interest bearing Trade payables	127,375	1,305	-	128,680
<b>Interest bearing – variable</b>				
Borrowings (excluding lease liabilities)	273,167	46,461	-	<b>319,628</b>
Other financial liabilities (non-current)	895	-	-	<b>895</b>
Lease liabilities	1,652	437	<b>9</b>	<b>2,098</b>
	<b>403,089</b>	<b>48,203</b>	<b>9</b>	<b>451,301</b>

The table above reflects current contractual obligations however the Group may settle these borrowings under a different repayment profile to that as disclosed in the above table.

#### Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 34. Financial instruments (continued)

#### Changes in liabilities arising from financing activities

2022	Opening \$ '000	Cash flows \$ '000	FX and other movements \$ '000	Closing \$ '000
Current interest bearing loans and borrowings <i>(excluding items listed below)</i>	272,772	(241,135)	(19,564)	12,073
Current lease liabilities	1,652	(1,567)	278	363
Non-current interest bearing loans and borrowings <i>(excluding items listed below)</i>	41,824	-	(16,977)	24,847
Non-current lease liabilities	280	-	(229)	51
<b>Total liabilities from financing activities</b>	<b>316,528</b>	<b>(242,702)</b>	<b>(36,492)</b>	<b>37,334</b>
2021	Opening \$ '000	Cash flows \$ '000	FX and other movements \$ '000	Closing \$ '000
Current interest bearing loans and borrowings <i>(excluding items listed below)</i>	219,751	43,980	9,041	272,772
Current lease liabilities	2,273	(1,127)	506	1,652
Non-current interest bearing loans and borrowings <i>(excluding items listed below)</i>	39,604	-	2,220	41,824
Non-current lease liabilities	2,666	-	(2,386)	280
<b>Total liabilities from financing activities</b>	<b>264,294</b>	<b>42,853</b>	<b>9,381</b>	<b>316,528</b>

The United States Dollar (USD) is the functional currency of the entities of the group except for the Australian exploration, United Kingdom and South African subsidiaries. As a result, currency exposure exists arising from the transaction and balances in currencies other than USD (Australian Dollars and South African Rand). The Group still has an exposure with respect to purchases not denominated or determined by USD – as at reporting date the Group operates in Australia and South Africa and therefore has determined its two largest currency risk exposures are to the Australian Dollar (AUD) and South African Rand (ZAR). The Group closely monitors its foreign exchange risk in Australia and South Africa to ensure it is at an acceptable level of risk.

The Group also has an additional presentation currency exposure as the presentation currency of the financial statements for the Group is in Australian Dollar (AUD). Movements between the functional currency and presentation currency of the Group is recognised in the Foreign Currency Translation Reserve at each reporting date.

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 34. Financial instruments (continued)

#### Foreign currency sensitivity analysis

Increase or decrease in rate	2022	2022	2021	2021
	USD strengthened 1%	USD weakened 1%	USD strengthened 1%	USD weakened 1%
<b>Impact on profit or loss before tax:</b>				
Cash and cash equivalents	97,434	(99,402)	9,905	(10,039)
Trade debtors	301,842	(307,940)	675	(689)
Restricted cash	307,613	(313,827)	333,942	(340,689)
Accounts payable	(18,713)	19,091	(98,688)	100,641
Borrowings	-	-	(85,118)	86,838
	<b>688,176</b>	<b>(702,078)</b>	<b>160,716</b>	<b>(163,938)</b>
<b>Impact on equity:</b>				
Cash and cash equivalents	(97,434)	99,402	(9,905)	10,039
Trade debtors	(301,842)	307,940	(675)	689
Restricted cash	(307,613)	313,827	(333,942)	340,689
Accounts payable	18,713	(19,091)	98,688	(100,641)
Borrowings	-	-	85,118	(86,838)
	<b>(688,176)</b>	<b>702,078</b>	<b>(160,716)</b>	<b>163,938</b>

#### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

#### Interest rate profile

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	Average interest rate		Carrying amount	
	2022	2021	2022	2021
	%	%	\$'000	\$'000
<b>Consolidated</b>				
State Bank of India	-%	5.91%	-	11,470
Standard Bank of South Africa	8.91%	7.58%	37,150	50,734
Ndalamo Loan payable/(receivable)	9.25%	3.25%	(4,169)	797
<b>Net exposure to cash flow interest rate risk</b>			<b>32,981</b>	<b>63,001</b>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 34. Financial instruments (continued)

#### Price risk

Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is continuing to monitor its exposure to commodity price risk. As at reporting date thermal coal and coking coal prices are significantly up since July 2020. There is still uncertainty in the market and the cost to implement an effective hedging strategy to manage the commodity price risk is quite substantial compared to the hedging prices available make this strategy ineffective. On this basis the Group has decided to not implement strategies to reduce its exposure to downside risk in prices. As commodity prices stabilise and market uncertainty is reduced the Group will consider strategies to manage this risk.

#### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

### 35. Fair value information

#### Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value (as at 30 June 2022 and 30 June 2021, no assets or liabilities are measured at fair value on a recurring basis), using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group does not have any Level 1, Level 2 or Level 3 financial instruments as at 30 June 2022 or 30 June 2021.

# TerraCom Limited

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## Notes to the Financial Statements

### 36. Capital and leasing commitments

#### Exploration and evaluation commitments

	Consolidated	
	2022	2021
	\$ '000	\$ '000
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	1,382	548
One to five years	2,352	2,235
	<b>3,734</b>	<b>2,783</b>

The Group has low-value or short-term (less than 12 months) lease agreements which are not recognised as liabilities as disclosed in note 21.

### 37. Contingent liabilities

The Group had no contingent liabilities at the end of the financial year.

There are a number of legal claims against the Group that have arisen in the ordinary course of business. The Group does not believe that these matters will result in any material adverse outcome based on information currently available.

### 38. Related parties

#### Relationships

Parent entity	TerraCom Limited is the parent entity
Subsidiaries	Interests in subsidiaries are set out in note 41
Associates	Interests in associates include Universal Coal Development VI (Pty) Ltd and Universal Coal Logistics (Pty) Ltd

#### Related party balances

	Consolidated	
	2022	2021
	\$ '000	\$ '000
<b>Current receivables</b>		
Loan from Ndalamo Resources (Pty) Ltd – Payable to UCEHSA (refer below for details)	4,169	4,368
NBC loan payable to UCEHSA	2,955	-
NCC loan payable to UCEHSA	27,598	-
Ubuntu loan payable to UCEHSA	6,340	-
<b>Current payables</b>		
Total payables to Ndalamo Resources (Pty) Ltd (relates to management fees and not included in the loan payable in note 12).	-	1,762
Lewis Mining Consulting – Glen Lewis (director fees)	-	10
<b>Non-current payables</b>		
Loan from Ndalamo Resources (Pty) Ltd	-	5,165



# TerraCom Limited

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## Notes to the Financial Statements

### 38. Related parties (continued)

Related party transactions	Consolidated	
	2022 \$ '000	2021 \$ '000
<b>BEE/minority shareholder related parties in South Africa</b>		
Management fees paid to Mountain Rush Trading 6 (Pty) Ltd	-	703
Facilitation fees paid to Mountain Rush Trading 6 (Pty) Ltd	-	2,382
Dividends paid to Ndalamo Resources (Pty) Ltd	-	1,562
Dividends paid to Mountain Rush Trading 6 (Pty) Ltd	-	1,317
Interest earned from Ndalamo Resources (Pty) Ltd	665	1,016
Interest expense accrued to Ndalamo Resources (Pty) Ltd	-	845

### Directors with TerraCom or controlled subsidiaries of the Group

	Consolidated	
	2022 \$ '000	2021 \$ '000
Ordinary shares issued to Wallace King AO. Prior period issued to Point Road Investments (Pty) Ltd	-	165
Services from The Maji Trust – James Soorley	-	79
Services from Lewis Mining Consulting – Glen Lewis	130	194
Services from OT21 Consulting – Shane Kyriakou	105	113
Services from Craig Lyons	255	845

Craig Ransley (former Executive Chairman) resigned 8 July 2022. A bonus in the amount of \$2.38 million was awarded to Mr Ransley for his work over a period of time in finalising the payment of the US\$167,000,000 Euroclear Bond which occurred in May 2022. An additional amount of \$930k was paid (subsequent to 30 June 2022) to Mr Ransley as an accelerated STI / LTI bonus for the 2022 financial year. Both of these payments were agreed between the Company and Mr Ransley before 30 June 2022 and were subsequently approved by shareholders at an Extraordinary General Meeting held on 13 September 2022.

### Loans to/from related parties

#### Loan Receivable

Universal Coal and Energy Holdings South Africa (Pty) Ltd provided funding to Ndalamo Resources (Pty) Ltd (Ndalamo) in 2015 to facilitate their contribution to the acquisition and development of the New Clydesdale Colliery. The loan is secured against a second ranking share pledge (after SBSA) of Ndalamo's shares in Universal Coal Development VIII (Pty) Ltd and Universal Coal Development IV (Pty) Ltd, bears interest at Prime plus 1% per annum and is fully repayable by 30 June 2023 in varying capital instalments.

The loan receivable from NBC, NCC and Ubuntu noted above consists of an amount relating to the Standard Bank borrowings in the name of UCEHSA, which has been on-lent to the associates. The facility is secured against the assets of the associates.

#### The Loan Payable to Ndalamo from subsidiaries

The development of operations funded by shareholder loan account is proportion to the relevant shareholding in each colliery. The total loans outstanding to Ndalamo Resources (Pty) Ltd at the end of June 2022 was NIL (2021: \$9.5 million).

# TerraCom Limited

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## 38. Related parties (continued)

### Mountain Rush Trading 6 (Pty) Ltd

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, Universal Coal Development I (Pty) Ltd and Universal Coal and Energy Holdings South Africa (Pty) Ltd. The transaction is considered to be at "arms-length". Mountain Rush Trading 6 (Pty) Ltd is a BEE Partner of Universal Coal and Energy Holdings South Africa (Pty) Ltd.

### Point Road Investments Pty Ltd (Point Road)

The issue of fully paid ordinary shares to Point Road were part of Wallace King AO's Non-Executive Chairman remuneration package.

### Lewis Mining Consulting (Lewis Mining)

The payments made by the Company to Lewis Mining are for the services of Mr. Glen Lewis acting as Non-Executive Director (appointed 23 December 2019) and for additional advisory services. The amount payable to Lewis Mining on 30 June 2022 is \$9,167 (30 June 2021: \$10,000).

### OT21 Consulting

The payments made by the Company to OT21 Consulting are for the services of Mr. Shane Kyriakou acting as Non-Executive Director (appointed 7 September 2020) and for additional advisory services. The amount payable to OT21 Consulting on 30 June 2022 is \$17,500 (30 June 2021: nil).

### Craig Lyons

The payments made by the Company to Mr. Craig Lyons are for his services acting as Non-Executive, Independent Director (appointed 14 July 2020) and for additional advisory services. The amount payable to Mr. Lyons on 30 June 2022 is \$21,500 (30 June 2021: nil).

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## 39. 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 was paid on 19 September 2022. The ex-dividend date is 2 September 2022.

The Company issued 5,000,000 unquoted options to Evolution Capital under a lead broker agreement in November 2021. The unquoted options had an exercise price of \$0.35 and an expiry date of 9 November 2024, being 3 years after the issue date. Following the exercise of unquoted options, the Company issued 3,333,333 fully paid ordinary shares on 16 June 2022 and issued a further 1,666,667 fully paid ordinary shares on 29 August 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.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 40. Parent entity information

Set out below is the supplementary information about the parent entity.

#### Summary of statement of profit or loss and other comprehensive income

	2022 \$'000	2021 \$'000
<b>Loss- after income tax</b>	(58,837)	(43,172)
Other comprehensive income for the year, net of tax	(600)	(5,861)
<b>Total comprehensive income</b>	<b>(59,437)</b>	<b>(49,033)</b>

#### Summary of Statement of financial position

	2022 \$ '000	2021 \$ '000
<b>Assets</b>		
Non-current assets	128,305	179,285
Current assets	65,543	762
<b>Total assets</b>	<b>193,848</b>	<b>180,047</b>
<b>Liabilities</b>		
Non-current liabilities	-	-
Current liabilities	212,878	260,453
<b>Total liabilities</b>	<b>212,878</b>	<b>260,453</b>
<b>Total net assets (liabilities)</b>	<b>(19,030)</b>	<b>(80,406)</b>

#### Summary of Statement of Equity

	2022 \$ '000	2021 \$ '000
<b>Equity</b>		
Issued Capital	363,683	334,932
Foreign currency translation reserve	(3,884)	(3,284)
Accumulated losses	(378,829)	(412,054)
<b>Total deficiency</b>	<b>(19,030)</b>	<b>(80,406)</b>

#### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

# TerraCom Limited

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## Notes to the Financial Statements

### 40. Parent entity information

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

#### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### 41. Interest in subsidiaries

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

The Groups remaining interest in subsidiaries remains unchanged from the consolidated annual financial report for the year ended 30 June 2021 with the exception of a number of South African entities which were deconsolidated 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.

Name	Principal place of business / Country of incorporation	% holding 2022	% holding 2021
FTB (QLD) Pty Ltd	Australia	100.00%	100.00%
Sierra Coal Pty Ltd	Australia	100.00%	100.00%
Orion Mining Pty Ltd	Australia	100.00%	100.00%
Clermont Logistics; Pty Ltd	Australia	100.00%	100.00%
Terra Energy Pty Ltd	Australia	100.00%	100.00%
Clyde Park Coal Pty Ltd *	Australia	64.40%	64.40%
Guildford Coal (Mongolia) Pty Ltd *	Australia	83.87%	83.87%
Guildford Infrastructure (Mongolia) Pty Ltd	Australia	100.00%	100.00%
Terra Mining Services Pty Ltd	Australia	100.00%	100.00%
Springsure Mining Pty Ltd *	Australia	90.07%	90.07%
Springsure Centre of Excellence Pty Ltd *	Australia	90.07%	90.07%
TCIG Resources Pte Limited	Singapore	100.00%	100.00%
Universal Coal Plc	United Kingdom	100.00%	100.00%
Universal Coal and Energy Holdings South Africa (Pty) Ltd	South Africa	100.00%	100.00%
Universal Coal Development I (Pty) Ltd	South Africa	70.50%	70.50%
Universal Coal Development VII (Pty) Ltd	South Africa	50.00%	50.00%
Universal Coal Development VIII (Pty) Ltd	South Africa	49.00%	49.00%
Twin Cities Trading 374 (Pty) Ltd	South Africa	74.00%	74.00%
Episolve (Pty) Ltd	South Africa	74.00%	74.00%
Epsimax (Pty) Ltd	South Africa	74.00%	74.00%
Bold Moves 1756 (Pty) Ltd	South Africa	74.00%	74.00%
Universal Coal Logistics (Pty) Ltd	South Africa	49.005	49.005
Universal Coal Power Generation (Pty) Ltd	South Africa	100.00%	100.00%

\* Percentage of voting power is in proportion to ownership.

# TerraCom Limited

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## Notes to the Financial Statements

### 41. Interest in subsidiaries (continued)

	Principal place of business / Country of incorporation	% holding 2022	% holding 2021
Universal Coal Development II (Pty) Ltd **	South Africa	50.00%	50.00%
Universal Coal Development III (Pty) Ltd **	South Africa	48.90%	48.90%
Universal Coal Development IV (Pty) Ltd **	South Africa	49.00%	49.00%
Universal Coal Development V (Pty) Ltd **	South Africa	50.00%	50.00%
North Block Complex (Pty) Ltd ***	South Africa	49.00%	49.00%
Eloff Agriculture and Mining Company (Pty) Ltd **	South Africa	49.00%	49.00%
Manyeka Coal Mine (Pty) Ltd **	South Africa	49.00%	49.00%

\*\* Deconsolidated 3 February 2022 and recorded as investment in associates

\*\*\* Deconsolidated 31 October 2021 and recorded as investment in associates

Control considerations where 50% or less of share capital held

The Group's wholly owned subsidiary Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA) holds the interest in the subsidiaries noted below.

#### Universal Coal Development VII (Pty) Limited (UCDVII)

Although the Group owns 50% of UCDVII, the Company has determined that the Group controls the entity because the chairman of the Board of UCDVII, who has the casting vote at Directors meetings, is a Director of and appointed by UCEHSA. The Board is responsible for the management of UCDVII.

#### Universal Coal Development VIII (Pty) Limited (UCDVIII)

Although the Group owns less than 50% of UCDVIII, the Company has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an operating and management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 41. Interest in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 1:

	Principal place of business/ Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 2022 %	Ownership interest 2021 %	Ownership interest 2022 %	Ownership interest 2021 %
Clyde Park Coal Pty Ltd *	Australia	Exploration	64.40%	64.40%	35.60%	35.60%
Guildford Coal (Mongolia) Pty Ltd *	Australia	Holding Company	83.87%	83.87%	16.13%	16.13%
Springsure Mining Pty Ltd *	Australia	Exploration	90.07%	90.07%	9.93%	9.93%
Universal Coal Development I (Pty) Ltd	South Africa	Production	70.50%	70.50%	29.50%	29.50%
Universal Coal Development II (Pty) Ltd *	South Africa	Exploration	50.00%	50.00%	50.00%	50.00%
Universal Coal Development III (Pty) Ltd *	South Africa	Production	48.90%	48.90%	51.10%	51.10%
Universal Coal Development IV (Pty) Ltd *	South Africa	Production	49.00%	49.00%	51.00%	51.00%
Universal Coal Development V (Pty) Ltd *	South Africa	Exploration	50.00%	50.00%	50.00%	50.00%
Universal Coal Development VII (Pty) Ltd.	South Africa	Exploration	50.00%	50.00%	50.00%	50.00%
Universal Coal Development VIII (Pty) Ltd	South Africa	Holding Company	49.00%	49.00%	51.00%	51.00%
Twin Cities Trading 374 (Pty) Ltd	South Africa	Holding Company	74.00%	74.00%	26.00%	26.00%
Episolve (Pty) Ltd	South Africa	Holding Company	74.00%	74.00%	26.00%	26.00%
Epsimax (Pty) Ltd	South Africa	Company Holding	74.00%	74.00%	26.00%	26.00%
Bold Moves 1756 (Pty) Ltd	South Africa	Holding Company	74.00%	74.00%	26.00%	26.00%
North Block Complex (Pty) Ltd **	South Africa	Production	49.00%	49.00%	51.00%	51.00%
Eloff Agriculture and Mining Company (Pty) Ltd *	South Africa	Exploration	49.00%	49.00%	51.00%	51.00%
Manyeka Coal Mine (Pty) Ltd	South Africa	Exploration	49.00%	49.00%	51.00%	51.00%

\* Deconsolidated 3 February 2022 and recorded as investment in associates, therefore amounts reflected relates to 1 July 2021 to date of deconsolidation.

\*\* Deconsolidated 31 October 2021 and recorded as investment in associates, therefore amounts reflected relates to 1 July 2021 to date of deconsolidation.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 41. Interest in subsidiaries (continued)

	Universal Coal Development I (Pty) Ltd \$'000	Clyde Park Coal (Pty) Ltd \$'000
<b>30 June 2022</b>		
Current assets	-	-
Non-current assets	-	-
Current liabilities	(5,250)	-
Non-current liabilities	(4,558)	(576)
Revenue	(56)	-
Profit/(Loss)	(2,581)	(6,088)
Total comprehensive income	-	-
Profit/(Loss) allocated to non-controlling interest	-	-
Other comprehensive income allocated to non-controlling interest	-	-
<b>30 June 2021</b>		
Current assets	705	1
Non-current assets	1,413	-
Current liabilities	(5,487)	-
Non-current liabilities	(4,178)	(2,599)
Revenue	(55,247)	-
Profit/(Loss)	(8,584)	(18,338)
Total comprehensive income	(4,610)	(18,338)
Profit/(Loss) allocated to non-controlling interest	(2,532)	(6,528)
Other comprehensive income allocated to non-controlling interest	3,974	-

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 42. Investment in associates

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

	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	Total
	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	
	2022	2022	2022	2022	2022	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	204,237	-	-	256,390	55,689	516,316
Cost of goods sold	(136,246)	-	-	(157,479)	(47,929)	(341,654)
<b>Gross profit</b>	<b>67,991</b>	-	-	<b>98,911</b>	<b>7,760</b>	<b>174,662</b>
Other operating and administrative expense	(12,704)	(38)	(13)	(24,823)	(6,025)	(43,603)
<b>EBITDA</b>	<b>55,287</b>	<b>(38)</b>	<b>(13)</b>	<b>74,088</b>	<b>1,735</b>	<b>131,059</b>
Depreciation and amortisation expense	(8,574)	-	-	(4,984)	(7,672)	(21,230)
Net finance	(2,774)	-	-	(3,815)	(3,009)	(9,598)
<b>Net profit before income tax expense</b>	<b>43,939</b>	<b>(38)</b>	<b>(13)</b>	<b>65,289</b>	<b>(8,946)</b>	<b>100,231</b>
Income tax expense	(11,670)	-	-	(18,013)	1,338	(28,345)
<b>Profit after income tax expense</b>	<b>32,269</b>	<b>(38)</b>	<b>(13)</b>	<b>47,276</b>	<b>(7,608)</b>	<b>71,886</b>
Statutory and underlying result for the year	32,269	(38)	(13)	47,276	(7,608)	71,886
Other comprehensive income	-	-	-	-	-	-
<b>Statutory total comprehensive income</b>	<b>32,269</b>	<b>(38)</b>	<b>(13)</b>	<b>47,276</b>	<b>(7,608)</b>	<b>71,886</b>
Group interest %	0.490	0.500	0.500	0.490	0.489	-
Group interest	15,812	(19)	(7)	23,165	(3,720)	35,231

\* Income statement amounts are converted from ZAR to AUD using the average rate prevailing for the relevant period.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 42. Investment in associates (continued)

#### Consolidated statement of financial position for the year ended 30 June 2022

	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	Total
	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	
	2022	2022	2022	2022	2022	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>						
Cash and cash equivalents	6,148	-	-	25,825	743	32,716
Trade and other receivables	37,863	3	-	29,545	23,202	90,613
Inventories	5,867	-	-	7,783	1,724	15,374
Property, plant and equipment	98,016	-	-	49,000	37,914	184,930
Exploration and evaluation	29	4,644	821	6,266	-	11,760
<b>Total assets</b>	<b>147,923</b>	<b>4,647</b>	<b>821</b>	<b>118,419</b>	<b>63,583</b>	<b>335,393</b>
<b>Liabilities</b>						
Trade and other payables	22,429	24	9	12,657	21,465	56,584
Provisions	46,244	-	-	43,622	18,878	108,744
Borrowings	2,850	-	-	27,381	6,234	36,465
Related party borrowings	-	-	-	(12,617)	19,218	6,601
Lease liabilities	-	-	-	-	82	82
Deferred consideration	-	-	-	-	718	718
Deferred tax	15,294	-	-	221	(852)	14,663
<b>Total liabilities</b>	<b>86,817</b>	<b>24</b>	<b>9</b>	<b>71,264</b>	<b>65,743</b>	<b>223,857</b>
<b>Net assets</b>	<b>61,106</b>	<b>4,623</b>	<b>812</b>	<b>47,156</b>	<b>(2,160)</b>	<b>111,536</b>
<b>Equity</b>						
Net assets	61,106	4,623	812	47,157	(2,160)	111,536
Non-controlling interest	-	-	-	-	-	-
	<b>61,106</b>	<b>4,623</b>	<b>812</b>	<b>47,157</b>	<b>(2,160)</b>	<b>111,536</b>
Group's interest %	0.49	0.50	0.50	0.49	0.49	-
Group's interest	29,942	2,311	406	23,107	(1,057)	54,709
Group's impairment expense	-	-	-	-	-	-
Fair value adjustment	2,448	2,763	614	31,190	1,057	38,072
<b>Investment in associates</b>	<b>32,390</b>	<b>5,074</b>	<b>1,020</b>	<b>54,297</b>	<b>-</b>	<b>92,781</b>

## Notes to the Financial Statements

### 42. Investment in associates (continued)

Given the loss of operating and management rights in North Block Complex (Pty) Ltd (**NBC**), TerraCom no longer has direct operational control as defined within AASB10 Consolidated Financial Statements (AASB 10). As such, NBC has been deconsolidated from 31 October 2021, the date in which it was determined in accordance with AASB 10 that control ceased and recorded as an investment in associate at fair value.

As at 3 February 2022, the casting vote held by the Chairman of the Executive Committee (a position held by TerraCom) was revoked and it was therefore determined that control ceased over the following entities, in accordance with AASB 10. Given the above, on and from this date, and the following companies have been deconsolidated and recorded as an investment at fair value:

Universal Coal Development II (Pty) Ltd (**Berenice**)  
Universal Coal Development III (Pty) Ltd (**Ubuntu**)  
Universal Coal Development IV (Pty) Ltd (**NCC**)  
Universal Coal Development V (Pty) Ltd (**Cygnus**)  
Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**)

#### **Universal Coal Development II (Pty) Limited (UCDII)**

Although the Group owns 50% of UCDII, the Company has determined that the Group no longer has control in accordance with AASB10 (refer to note 43 for further information), notwithstanding that within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCDII. The company has been deconsolidated and recorded as an investment in associates at fair value as at 3 February 2022.

#### **Universal Coal Development III (Pty) limited (UCDIII)**

The Group owns less than 50% of UCDIII. As outlined in elsewhere in this report, the Company has determined that the Group no longer controls the entity because UCEHSA has relinquished its operational and management rights to meet requirements of the Department of Mineral Resources and Energy (**DMRE**). Refer to note 43 for further information on the deconsolidation. As UCEHSA no longer has operational control over UCDIII, the Company has been deconsolidated and recorded as an investment in associate as at 3 February 2022.

#### **Universal Coal Development IV (Pty) Limited (UCDIV)**

The Group owns less than 50% of UCDIV. As outlined in elsewhere in this report, the Company has determined that the Group no longer controls the entity because UCEHSA has relinquished its operational and management rights to meet requirements of the Department of Mineral Resources and Energy (**DMRE**). Refer to note 43 for further information on the deconsolidation. As UCEHSA no longer has operational control over UCDIII, the Company has been deconsolidated and recorded as an investment in associate as at 3 February 2022.

#### **Eloff Agriculture and Mining Company (Pty) Limited (Eloff) and Manyeka Coal Mines (Pty) Limited (Manyeka)**

The Group holds an effective shareholding of 49% in the Eloff Project and Manyeka through its investment in UCDIV. As established above, as UCEHSA no longer has operational control over UCDIV, Eloff (as a wholly owned subsidiary of UCDIV) has therefore been deconsolidated and recorded as an investment in associate as at 3 February 2022.



# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 42. Investment in associates (continued)

#### Universal Coal Development V (Pty) Limited (UCDV)

Although the Group owns 50% of UCDV, the Company has determined that the Group no longer has control in accordance with AASB10 (refer to note 43 for further information), notwithstanding that within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCDV. The company has been deconsolidated and recorded as an investment in associates at fair value as at 3 February 2022.

### 43. 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.

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 43. Deconsolidation (continued)

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

Entity	NBC 31 Oct 2021 \$'000	Berenice 3 Feb 2022 \$'000	Cygnus 3 Feb 2022 \$'000	NCC & Eloff 3 Feb 2022 \$'000	Ubuntu 3 Feb 2022 \$'000	Total \$'000
<b>Profit and loss</b>						
Revenue	71,382	-	-	134,862	29,777	236,021
Cost of goods sold	(51,567)	-	-	(99,487)	(31,895)	(182,949)
<b>Gross profit</b>	<b>19,815</b>	<b>-</b>	<b>-</b>	<b>35,375</b>	<b>(2,118)</b>	<b>53,072</b>
Other operating and administrative expense	(6,703)	(73)	-	(4,100)	(1,200)	(12,076)
<b>EBITDA</b>	<b>13,112</b>	<b>(73)</b>	<b>-</b>	<b>31,275</b>	<b>(3,318)</b>	<b>40,996</b>
Depreciation and amortisation expense	(173)	-	-	(2,922)	(3,856)	(6,951)
Net finance expenses	(1,631)	-	-	(2,412)	(1,411)	(5,454)
<b>Net profit before income tax expense</b>	<b>11,308</b>	<b>(73)</b>	<b>-</b>	<b>25,941</b>	<b>(8,585)</b>	<b>28,591</b>
Income tax expense	(3,171)	-	-	(7,122)	2,339	(7,954)
<b>Profit / (Loss) after income tax expense</b>	<b>8,137</b>	<b>(73)</b>	<b>-</b>	<b>18,819</b>	<b>(6,246)</b>	<b>20,637</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 43. Deconsolidation (continued)

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

Entity	NBC 31 Oct 2021 \$'000	Berenice 3 Feb 2022 \$'000	Cygnus 3 Feb 2022 \$'000	NCC & Eloff 3 Feb 2022 \$'000	Ubuntu 3 Feb 2022 \$'000	Total \$'000
<b>Assets</b>						
Cash and cash equivalents	12,394	-	-	6,829	(627)	18,596
Trade and other receivables	21,574	-	-	37,465	20,528	79,567
Inventories	4,502	-	-	5,133	1,847	11,482
Property, plant and equipment	95,343	-	-	41,367	38,495	175,205
Exploration and evaluation	3,574	29,102	4,159	57,758	5,060	99,653
<b>Total assets</b>	<b>137,387</b>	<b>29,102</b>	<b>4,159</b>	<b>148,552</b>	<b>65,303</b>	<b>384,503</b>
<b>Liabilities</b>						
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	17,260	287	38	7,573	(1,570)	23,588
<b>Total liabilities</b>	<b>80,423</b>	<b>293</b>	<b>49</b>	<b>102,595</b>	<b>58,984</b>	<b>242,344</b>
				-		
<b>Net assets</b>	<b>56,964</b>	<b>28,209</b>	<b>4,110</b>	<b>45,957</b>	<b>6,319</b>	<b>142,159</b>
<b>Equity</b>						
Net assets	56,964	28,809	4,110	45,957	6,319	142,159
Non-controlling interest	(38,290)	(14,590)	(2,083)	(31,503)	(3,224)	(89,690)
	<b>18,674</b>	<b>14,219</b>	<b>2,027</b>	<b>14,454</b>	<b>3,095</b>	<b>52,469</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Notes to the Financial Statements

### 43. Deconsolidation (continued)

The cash flow results for the entities deconsolidated by the Group during the period to deconsolidation date are shown below:

Entity	NBC 31 Oct 2021 \$'000	Berenice 3 Feb 2022 \$'000	Cygnus 3 Feb 2022 \$'000	NCC & Eloff 3 Feb 2022 \$'000	Ubuntu 3 Feb 2022 \$'000	Total \$'000
<b>Date of deconsolidation</b>						
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)
<b>Net increase in cash and cash equivalents</b>	<b>13,222</b>	<b>-</b>	<b>-</b>	<b>7,287</b>	<b>(1,726)</b>	<b>18,783</b>

Entity	NBC 31 Oct 2022 \$'000	Berenice 3 Feb 2022 \$'000	Cygnus 3 Feb 2022 \$'000	NCC & Eloff 3 Feb 2022 \$'000	Ubuntu 3 Feb 2022 \$'000	Total \$'000
<b>Date of deconsolidation</b>						
Deconsolidation of carrying value of net assets	(18,674)	(14,218)	(2,027)	(14,454)	(3,096)	(52,469)
Fair value of retained interest	29,476	5,074	1,020	45,481	-	81,051
Recycling of foreign translation reserve upon deconsolidation						2,108
<b>Gain / (loss) on deconsolidation</b>						<b>30,690</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors' have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

**On behalf of the directors**



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**Graeme Campbell**  
Non-Executive Chairman



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**Danny McCarthy**  
Managing Director

Date: 30 September 2022  
Sydney



## Independent auditor's report to the members of TerraCom Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of TerraCom Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Deconsolidation of South African Operations

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2022, the Group has a combined Investment in Associate balance of \$92.8 million and recorded \$20.9 million of income from Associates during the period.</p> <p>As disclosed in Note 43, the Group determined that during the period, it lost control of several of its South African Operations in accordance with <i>AASB 10 Consolidated Financial Statements</i>. As a result, it deconsolidated these operations and subsequently recorded them as Associates, as the Group retained significant influence in accordance with <i>AASB 128 Investments in Associates and Joint Ventures</i>.</p> <p>Upon the loss of control, the subsidiaries were deconsolidated which resulted in the derecognition of the assets and liabilities of the former subsidiaries, including any non-controlling interest, and the recycling of the foreign currency translation reserve to the Consolidated Statement of Profit and Loss. The fair value of the Group's interest in the Associates was determined and recorded on the Consolidated Statement of Financial Position as an Investment in Associate.</p> <p>A net gain of \$30.7 million was recognised in the Consolidated Statement of Profit and Loss, representing the difference between the net carrying amount of assets, liabilities and non-controlling interests deconsolidated, the recycling of the foreign currency translation reserve and the fair value of the investment in the Associates recorded in the Consolidated Statement of Financial Position.</p> <p>Due to the significance of the carrying amount of the Investment in Associates relative to total assets, the complexity and level of judgment required in assessing the fair value of the Associates and the deconsolidation accounting, we considered this to be a key audit matter.</p>	<p>Our audit procedures were completed with the assistance of our valuation experts and included:</p> <ul style="list-style-type: none"> <li>▶ Consideration of management's assessment of control over its South African Operations and the date control over the operations was lost.</li> <li>▶ Determining the scope of audit work required to be undertaken by the non-EY component audit team in South Africa as it relates to testing the fair value of the Group's Investment in Associates recognised at the date of deconsolidation and the appropriateness of the Group's deconsolidation accounting, including: <ul style="list-style-type: none"> <li>○ Identifying and testing the completeness of assets, liabilities, and non-controlling interests derecognised by the Group at the time control of the South African Operations was lost.</li> <li>○ Testing the fair value of the working capital balances, rehabilitation and other liabilities.</li> <li>○ Testing of the fair value of the property, plant and equipment, mining assets, and exploration and evaluation assets as determined by an independent valuation expert used by the Group.</li> </ul> </li> <li>▶ As it relates testing of the fair value of the Investment in Associates recognised on the date of deconsolidation, we. <ul style="list-style-type: none"> <li>○ Assessing the qualifications, competency and objectivity of the independent valuation expert used by the Group.</li> <li>○ Evaluated whether the methodology applied and ensured it complied with the requirements of the Australian Accounting Standards and generally accepted industry practice.</li> <li>○ Assessed the reasonability of key macroeconomic assumptions used by the independent valuation expert, including forecast South African export thermal coal price and forecast foreign exchange rates, with reference to broker consensus data.</li> </ul> </li> <li>▶ Considered the adequacy of the related disclosures in the notes to the financial statements.</li> </ul>

## South African Operations – Reliance on Non-EY component team

Why significant	How our audit addressed the key audit matter
<p>As detailed in Note 3 to the financial report, the Group has significant operations outside of Australia, in South Africa. These decentralised operations require adequate monitoring activities from a financial reporting perspective.</p> <p>In our role as group auditor, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities (“components”) within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit.</p> <p>Given the financial significance of components to the Group result, our direction and supervision of the component audit team in South Africa, being a non-EY component team (“Component Auditor”) was considered a key audit matter.</p>	<p>In fulfilling our responsibilities as group auditor:</p> <ul style="list-style-type: none"> <li>▶ We performed a risk assessment and component scoping at the consolidated group level and, based on this scoping, identified the components required to be audited by the Component Auditor.</li> <li>▶ We sent instructions to the Component Auditor detailing significant audit areas to be covered, including the relevant risks and the information to be reported to the Group audit team. The Group audit team approved the component materiality, having regard to the size and risk profile of the component relative to the Group.</li> <li>▶ The Component Auditor provided written confirmation to the Group audit team confirming the work performed and the results of that work as well as key documents supporting independence, significant findings and observations.</li> <li>▶ To ensure sufficient oversight, we, as the Group audit team: <ul style="list-style-type: none"> <li>○ Held meetings with the Component Auditor to discuss the outcome and extent of their procedures.</li> <li>○ Reviewed underlying working papers and documentation of the Component Auditor for selected areas of audit focus as part of a file review.</li> <li>○ Engaged EY South Africa’s valuation and tax specialists, to assist in the review of the Component Auditor’s work.</li> <li>○ Engaged EY South Africa’s mining and reserve specialists to undertake site tours of the Group’s South African operating mines to confirm our understanding of the operations.</li> </ul> </li> <li>▶ We, as the Group audit team, ensured the trial balance and related supporting schedules audited by the Component Auditor agreed to the Group consolidation schedule and where relevant financial statement notes.</li> </ul>

### **Information other than the financial report and auditor's report thereon**

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the audit of the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 44 to 52 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of TerraCom Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.





**Building a better  
working world**

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, flowing style.

Ernst & Young

A handwritten signature in black ink that reads 'Ryan Fisk' in a cursive, flowing style.

Ryan Fisk  
Partner  
Sydney  
30 September 2022

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Additional Shareholder Information for Listed Public Companies

As at 6 September 2022

### Distribution of Shareholders

Range	Securities	%	No. of Shareholders	%
100,001 and Over	745,359,805	93.23	349	8.05
10,001 to 100,000	45,881,103	5.74	1,322	30.48
5,001 to 10,000	4,749,356	0.59	619	14.27
1,001 to 5,000	3,127,543	0.39	1,155	26.63
1 to 1,000	400,461	0.05	892	20.57
<b>Total</b>	<b>799,518,268</b>	<b>100.00</b>	<b>4,337</b>	<b>100.00</b>
Unmarketable parcels	89,296	0.01	488	11.25

### 20 Largest Shareholders

Rank	Name	06 Sep 2022	%IC
1	UBS Nominees Pty Ltd	110,166,905	13.78
2	Bonython Coal No 1 Pty Ltd	78,819,723	9.86
3	CS Fourth Nominees Pty Limited	76,498,962	9.57
4	Merrill Lynch (Australia) Nominees Pty Limited	47,524,207	5.94
5	African Minerals Exploration & Development Fund Sicar	34,203,104	4.28
6	BNP Paribas Nominees Pty Ltd	33,692,178	4.21
7	Citicorp Nominees Pty Limited	33,202,007	4.15
8	HSBC Custody Nominees (Australia) Limited	27,409,152	3.43
9	Brispot Nominees Pty Ltd	22,852,701	2.86
10	Mr Frederick Bart	20,533,969	2.57
11	BNP Paribas Nominees Pty Ltd	17,582,385	2.20
12	Bond Street Custodians Limited	13,995,769	1.75
13	Neweconomy Com Au Nominees Pty Limited	13,372,091	1.67
14	Morgan Stanley Australia Securities (Nominee) Pty Limited	8,798,555	1.10
15	Gladiator Securities Pty Ltd	7,841,498	0.98
16	BNP Paribas Nominees Pty Ltd	7,536,388	0.94
17	Bart Superannuation Pty Limited	6,811,510	0.85
18	Pantaraxia Pty Ltd	5,820,538	0.73
19	J P Morgan Nominees Australia Pty Limited	5,550,206	0.69
20	Bell Potter Nominees Ltd	5,300,000	0.66
		<b>577,511,848</b>	<b>72.23</b>

# TerraCom Limited

Financial statements for the year ended 30 June 2022



## Substantial Shareholders

Substantial shareholders as disclosed in substantial notices given to the Company are as follows:

Name	Shares Held	% of issued cap
Regal Funds Management Pty Ltd	111,904,523	14.83
Bonython Coal No. 1 Pty Ltd	78,819,723	10.45
Credit Suisse Holdings (Australia) Pty Limited	76,762,825	9.62

## Voting Rights

All issued shares carry voting rights on a one for one basis.



**TERRACOM**

**ANNUAL REPORT**  
**2022**

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