



## ASX ANNOUNCEMENT

23 January 2023

### DECEMBER QUARTERLY REPORT – Q2 FY2023

TerraCom Limited (**TerraCom** or the **Company**) (ASX: TER), is pleased to present its quarterly activities report for the three (3) months ending 31 December 2022 (**December Quarter**).

#### PRODUCTION HIGHLIGHTS

- **Total coal sales**<sup>1</sup> of 2.05Mt, representing an annualised run rate of 8.2Mt per annum, a 5% increase on the prior corresponding period (Dec21 Quarter) (**PCP**).
- **Equity coal sales**<sup>2</sup> of 1.26Mt, representing an annualised run rate of 5.0Mt per annum, a 4% increase on the PCP.
- Blair Athol (**BA**) delivered coal sales of 500kt, representing an annualised run rate of 2Mt per annum, in line with the PCP.
- BA remains on track to deliver forecast **coal sales of 2.2Mt** for the 12 months ending 30 June 2023.

#### FINANCIAL HIGHLIGHTS

- Operating **EBITDA**<sup>3</sup> of **\$150 million** for the December Quarter.
  - BA achieved an operating **EBITDA**<sup>4</sup> of **\$112.2 million** as export coal prices remained strong during the December Quarter resulting in an operating **cash margin of \$224 per sold tonne**.
  - The South African operations achieved an operating **EBITDA**<sup>5</sup> of **\$37.4 million** resulting in an operating **cash margin of \$24 per sold tonne**.
- Operating **EBITDA**<sup>3</sup> of **\$330 million** for the 6 months ended 31 December 2022 (attributable to TerraCom: \$281 million).
- Blair Athol achieved an average coal price of **\$408 per sold tonne** in the December Quarter, delivering a record average coal price of **\$450 per sold tonne** for the 6 months ended 31 December 2022.
- Closing cash at bank on 31 December 2022 of **\$113 million**<sup>6</sup>, which excludes Restricted Cash of \$51 million.
- The last cargo against the coal sales prepayment agreement<sup>9</sup> was delivered during the December Quarter bringing the total funds repaid under the agreement to **US\$60 million**.
- Dividend payment in December 2022 of **10 cents per share fully franked** (comprising 7.5c ordinary dividend and 2.5c special dividend) for the period ended 30 September 2022. The total payment to shareholders was **\$79.9 million**.

#### Comments from Managing Director, Danny McCarthy

*“Coal prices remained buoyant allowing TerraCom to deliver another solid result for the December Quarter with a combined operating EBITDA<sup>3</sup> result of \$150 million being achieved from the Australian and South African operations.*

*Whilst the Blair Athol mine faced significant rainfalls throughout the December Quarter, the mine continued to deliver reliable results, achieving 500kt of coal sales and remains on track to deliver forecast coal sales of 2.2 million tonnes in the 2023 Financial Year.*

*Our South African operations delivered a consistent result and domestic power deliveries remain in strong demand. Coal sales in the December Quarter were in line with expectations noting the high seasonal rainfall experienced by the operations and the annual festive season slowdown in South Africa in the latter half of December. The export logistics challenges are ongoing, and we continue to examine ways to maximise opportunities with export sales.*

*Following the dividend payment in early December, TerraCom has now returned \$160 million to shareholders during the six-month period ending December 2022. In line with the Company's dividend policy, the next dividend is expected to be declared in February and paid in March 2023.”*

## SAFETY

Group safety performance for the quarter was reviewed with the lost time injury frequency rate (LTIFR) increasing from 0.6 to 0.8, a rise of 33% quarter on quarter (**qoq**). The total recordable injury frequency rate (TRIFR) also increased from 1.7 to 2.0, a rise of 18% qoq. Management remains focused on delivering exceptional safety outcomes and whilst a slight deterioration throughout the quarter, overall safety performance of the Group remains well below industry average and peers.

## PRODUCTION AND SALES RESULTS

Total coal sales for the December Quarter were an increase on the PCP despite significant rainfall and logistics challenges within Australia, and South Africa facing higher than expected seasonal average rainfall, annual festive season slowdown and ongoing logistics constraints which negatively impacted both train and truck availability during the December Quarter.

### TOTAL TONNES<sup>1</sup> (CONTINUING OPERATIONS)

	DECEMBER QUARTER			SEPTEMBER QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	500	-	<b>500</b>	452	-	<b>452</b>
South Africa	420	1,135	<b>1,555</b>	443	1,446	<b>1,889</b>
<b>Total</b>	<b>920</b>	<b>1,135</b>	<b>2,055</b>	<b>895</b>	<b>1,446</b>	<b>2,341</b>

### EQUITY TONNES<sup>2</sup> (CONTINUING OPERATIONS)

	DECEMBER QUARTER			SEPTEMBER QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	500	-	<b>500</b>	452	-	<b>452</b>
South Africa	205	557	<b>762</b>	218	710	<b>928</b>
<b>Total</b>	<b>705</b>	<b>557</b>	<b>1,262</b>	<b>670</b>	<b>710</b>	<b>1,380</b>

## OPERATIONS

### AUSTRALIA BUSINESS UNIT

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

Thousands of tonnes (kt)	Dec 2022 QTR	Dec 2021 QTR	Change %	Dec 2022 QTR	Sept 2022 QTR	Change %
<b>ROM Coal Production</b>	602	602	<b>0%</b>	602	661	<b>(9%)</b>
<b>Saleable Coal</b>	507	524	<b>(3%)</b>	507	466	<b>9%</b>
<b>Coal Sales</b>	500	502	<b>0%</b>	500	452	<b>11%</b>
<b>Inventory (ROM)</b>	45	12	<b>&gt;100%</b>	45	98	<b>(55%)</b>
<b>Inventory (Saleable)</b>	46	92	<b>(50%)</b>	46	36	<b>28%</b>

The dragline, being the primary overburden (waste) removal machine at Blair Athol, has continued to perform as expected following its successful maintenance shutdown in the September Quarter.

During the December Quarter, despite facing significant rainfall and logistics challenges, the Blair Athol operation achieved coal sales of 500kt, representing an annualised run rate of 2 million tonnes. Whilst production to date in the month of January 2023 has been disrupted by consistent unseasonal heavy rainfall, Blair Athol remains on track to achieve forecast coal sales of 2.2 million tonnes in the 2023 Financial Year.

#### Rehabilitation

The Blair Athol mine continued to make progress with rehabilitation during the December Quarter. The mine has dedicated rehabilitation equipment and resources which operate on a continuous roster basis to undertake the necessary planned rehabilitation works. Additional support is provided from the production dozer fleet in a planned manner to accelerate progress where the schedule allows.



*Image 1 - Completed northern end of Stage 1 (FY23) rehabilitation. The dumped out West Pit ramp can be seen at the northern extent of the dozer push.*



Image 2 - Stage 1 (FY23) view to the east.

Rehabilitation continued with the reshaping of Stage 1 (FY23) of the West pit spoil, including additional placement of spoil in West Pit ramp as part of mining production activities, which may result in enhanced rehabilitation outcomes due to the lower slope requirements in this area.

Stage 2 of the planned rehabilitation program, which surrounds the West Pit ramp, is on track to be completed during FY23.

#### **SOUTH AFRICA BUSINESS UNIT**

During the month of December, the South African operations were negatively affected by higher than seasonal average rainfall and the annual festive season slowdown in the latter half of December. Despite this, the December Quarter coal sales were in line with expectations. Logistics remain a challenge and the group continues to look at ways to maximise opportunities with export sales.

Thousands of tonnes (kt)	Dec 2022 QTR	Dec 2021 QTR	Change %	Dec 2022 QTR	Sept 2022 QTR	Change %
<b>ROM Coal Production</b>	2,269	2,339	<b>(3%)</b>	2,269	2,593	<b>(12%)</b>
<b>Saleable Coal</b>	1,595	1,454	<b>10%</b>	1,595	1,821	<b>(12%)</b>
<b>Coal Sales</b>	1,555	1,459	<b>7%</b>	1,555	1,889	<b>(18%)</b>
<b>Inventory (ROM)</b>	331	344	<b>(4%)</b>	331	287	<b>15%</b>
<b>Inventory (Saleable)</b>	169	279	<b>(39%)</b>	169	234	<b>(28%)</b>

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

Thousands of tonnes (kt)	Dec 2022 QTR	Dec 2021 QTR	Change %	Dec 2022 QTR	Sept 2022 QTR	Change %
<b>ROM Coal Production</b>	864	1,034	<b>(16%)</b>	864	1,059	<b>(18%)</b>
<b>Saleable Coal</b>	579	628	<b>(8%)</b>	579	668	<b>(13%)</b>
<b>Coal Sales</b>	645	575	<b>12%</b>	645	692	<b>(7%)</b>
<b>Inventory (ROM)</b>	150	102	<b>46%</b>	150	132	<b>13%</b>
<b>Inventory (Saleable)</b>	59	71	<b>(17%)</b>	59	133	<b>(56%)</b>

NCC performed to plan during the December Quarter, however both production and sales were down on results achieved in the September Quarter by 18% and 7% respectively.

Total coal sales were 645kt, and despite ongoing logistics constraints the colliery delivered export sales of 175kt and domestic sales of 470kt.

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

Thousands of tonnes (kt)	Dec 2022 QTR	Dec 2021 QTR	Change %	Dec 2022 QTR	Sept 2022 QTR	Change %
<b>ROM Coal Production</b>	1,031	971	<b>6%</b>	1,031	1,229	<b>(16%)</b>
<b>Saleable Coal</b>	753	652	<b>15%</b>	753	871	<b>(14%)</b>
<b>Coal Sales</b>	745	692	<b>8%</b>	745	930	<b>(20%)</b>
<b>Inventory (ROM)</b>	151	48	<b>219%</b>	151	145	<b>4%</b>
<b>Inventory (Saleable)</b>	71	187	<b>(62%)</b>	71	51	<b>41%</b>

NBC delivered ROM coal production of 1,031kt, a consistent result for the colliery.

Total export coal sales delivered in the December Quarter were 245kt, an increase of 22kt from the September Quarter, or 10%. Of the total export sales, 99kt was sold as RB4 product, the new market established in the September Quarter. As previously advised, the Company continues to use alternate supply chain methods (trucking) due to ongoing constraints with the rail system in South Africa.

Deliveries to Eskom were down for the December Quarter with NBC only achieving domestic coal sales of 500kt. The reduction was predominately due to extensive rainfall at the colliery.

## Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2022 QTR	Dec 2021 QTR	Change %	Dec 2022 QTR	Sept 2022 QTR	Change %
<b>ROM Coal Production</b>	374	334	<b>12%</b>	374	304	<b>23%</b>
<b>Saleable Coal</b>	264	174	<b>52%</b>	264	281	<b>(6%)</b>
<b>Coal Sales</b>	165	191	<b>(14%)</b>	165	267	<b>(38%)</b>
<b>Inventory (ROM)</b>	30	194	<b>(84%)</b>	30	10	<b>212%</b>
<b>Inventory (Saleable)</b>	39	21	<b>87%</b>	39	51	<b>(23%)</b>

Coal sales achieved for Ubuntu during the December Quarter were 38% lower than the September Quarter. As previously outlined in the 2022 Annual Report, the Eskom Coal Supply Agreement (**CSA**) concluded on 31 December 2022. This CSA has not been renewed and the colliery is currently winding down operations with it expected to go on care and maintenance during the March 2023 Quarter. Notwithstanding this, the colliery continues to explore other coal sales opportunities.

Given the level of production and sales, the shifting of Ubuntu into care and maintenance will not have a material impact on the ongoing financial performance of the South African Business Unit. For the year ended 30 June 2022, the Ubuntu Colliery made a loss after income tax of \$7.6 million (refer Note 42 of the 2022 Annual Report).

## FINANCIAL PERFORMANCE

The operating EBITDA<sup>3</sup> from the Australian and South African Business Units (including other equity holders) for the December Quarter and prior quarter is as follows:

	Operating EBITDA <sup>3</sup> (AUD \$million)		Operating EBITDA <sup>3</sup> (AUD\$ / Sold Tonne)	
	Dec 2022 Quarter	Sept 2022 Quarter	Dec 2022 Quarter	Sept 2022 Quarter
Australia	112.2	121.5	224.4	269.3
South Africa	37.4	58.8	24.1	31.1
<b>Group</b>	<b>149.6</b>	<b>180.3</b>		

Strong export coal prices continued to support the operating EBITDA<sup>4</sup> result of \$112.2 million for the Australian Business Unit (Blair Athol) for the December Quarter.

The South African operations were negatively affected by higher than seasonal average rainfall which impacted both production and logistics for the December Quarter. The Operating EBITDA result achieved was \$37.4 million, 38% lower than the result achieved in the September Quarter.

### Australian Financial Performance

Financial Performance Summary <sup>7</sup>	Oct 2022 to Dec 2022 A\$ million Total	July 2022 to Sept 2022 A\$ million Total	Oct 2022 to Dec 2022 A\$ per Sold Tonne	July 2022 to Sept 2022 A\$ per Sold Tonne
<b>Revenue</b>	203.9	224.3	407.8	496.7
<b>Costs – Royalty</b>	(43.9)	(56.1)	(87.9)	(124.3)
<b>Costs – Diesel &amp; Electricity</b>	(5.5)	(6.0)	(10.9)	(13.3)
<b>Costs – Other Operating Costs</b>	(42.3)	(40.7)	(84.6)	(89.8)
<b>Costs – Total</b>	(91.7)	(102.8)	(183.4)	(227.4)
<b>Operating EBITDA<sup>4</sup></b>	<b>112.2</b>	<b>121.5</b>	<b>224.4</b>	<b>269.3</b>

Buoyant seaborne coal pricing continued to drive the financial result for BA with the mine delivering an operating EBITDA result of \$112.2 million for the 3 months to 31 December 2022, representing \$224.4 per tonne. Royalty per tonne incurred was \$87.9 per tonne, a decrease of \$36.4 per tonne, reflective of the lower coal sales revenue achieved.

Management remains unwavering on their focus on operational cost containment to an acceptable level at the mine site, despite FOB costs being significantly impacted by revenue linked costs (including government royalties), diesel and electricity, and current inflation pressures being experienced by the mining industry.

### South Africa Financial Performance

Financial Performance Summary <sup>8</sup>	October 2022 to December 2022 A\$ million Total	July 2022 to September 2022 A\$ million Total	October 2022 to December 2022 A\$ per Sold Tonne	July 2022 to September 2022 A\$ per Sold Tonne
<b>Revenue</b>	118.9	159.2	76.6	84.2
<b>Costs</b>	(81.5)	(100.4)	(52.5)	(53.1)
<b>Operating EBITDA<sup>5</sup></b>	<b>37.4</b>	<b>58.8</b>	<b>24.1</b>	<b>31.1</b>

Operating EBITDA<sup>5</sup> for the South African operations for the 3 months to 31 December 2022 was \$37.4 million or \$24.1 per tonne. As per note 5, the above represents 100% of the result of the South African operations, noting that the equity interest held by the Company is between 48.9% to 49%.



## CORPORATE

### Issue of performance rights to management

During the December Quarter, the Company issued 2,895,934 performance rights to management under the Company's long term employee incentive scheme. On 3 January 2023, the Company issued a total of 1,447,967 fully paid ordinary shares following the vesting of 50% of the performance rights.

The Company now has 800,966,235 fully paid ordinary shares on issue.

### Board Changes

Effective 8 December 2022, Mr. Mark Ludski was appointed as a Non-Executive Director of the Company.

### Coal Sales Prepayment<sup>9</sup>

During the December Quarter, Blair Athol delivered the last cargo against the coal sales prepayment agreement, bringing the total funds repaid to US\$60 million. There is now no further amount outstanding against the agreement.

### Debt Reduction – Standard Bank of South Africa (SBSA)

The Company's South African operations made further repayments on the facility held with the Standard Bank of South Africa (**SBSA**) during the December Quarter. The principal repayments made totalled \$3 million, resulting in the amount owing to SBSA (100% portion) reducing to approximately \$8 million as at 31 December 2022 (Attributable to TerraCom is approximately \$3.9 million).

## REFERENCES

1. **Total Tonnes** – The data represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49.0%.
2. **Equity Tonnes** – The data represents equity tonnes, being the attributable tonnes to the TerraCom's equity ownership.
3. **Operating EBITDA** - Non IFRS measure. Based on management accounts. The data presented represents the Australian Business Unit, and 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the South African operating mines ranges from 48.9% to 49.0%. The data presented does not include the TerraCom corporate costs. This number does not represent the Operating EBITDA to be reported in accordance with IFRS from a consolidation point of view.
4. **Australian Operating EBITDA** - Non IFRS measure. Based on management accounts. The data presented does not include the results from the South African Business unit or TerraCom corporate costs.
5. **South African Operating EBITDA** - 100% of the result from the South African Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines ranges from 48.9% to 49.0%. In accordance with IFRS, the South African business unit



is reported as an Investment in Associate. Given this, the South African Operating EBITDA presented within this report will not be disclosed in the Consolidated Statement of Comprehensive Income.

6. **Cash at Bank** – amount includes \$96 million cash held by TerraCom Limited, as parent entity, cash held by all Australian subsidiaries and cash held by Universal Coal Holdings South Africa (Pty) Ltd plus \$17 million cash attributable to TerraCom from other South African subsidiaries based on the equity interest held by TerraCom. This number does not represent the cash amount to be reported in accordance with IFRS from a consolidation point of view.
7. **Financial Performance Summary** - Non IFRS measure. Based on management accounts. The data presented does not include the results from the South African Business unit or TerraCom corporate costs.
8. **Financial Performance Summary** - Non IFRS measure. Based on management accounts. The data presented does not include the results from the Australian Business unit or TerraCom corporate costs. In accordance with IFRS, the South African business unit is reported as an Investment in Associate. Given this, the South African Operating EBITDA presented within this report will not be disclosed in the Consolidated Statement of Comprehensive Income.
9. **Coal sales prepayment agreement** – as announced to the market on 28 February 2022.

### MINING TENEMENTS HELD AT THE END OF THE QUARTER

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



This announcement has been approved by the Board for release.

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

Megan Etcell  
Chief Financial Officer & Company Secretary  
P +61 7 4983 2038  
E info@terracomresources.com

### **About TerraCom Limited**

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

### **FORWARD LOOKING STATEMENT**

This document contains summary information about, TerraCom, its subsidiaries, and its activities which are current as at the date of this document. The information in this document is general in nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in TerraCom or that would be required in a prospectus or product disclosure statement prepared in accordance with the *Corporations Act 2001 (Cth)*. Information in this document should therefore be read in conjunction with other announcements made by TerraCom to the ASX.

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

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

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