1. Company details

Name of entity:	TerraCom Limited
ABN:	35 143 533 537
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$'000
Revenue from ordinary activities	up	51.0%	to	387,442
Profit for the half-year after income tax	up	185.7%	to	57,385
Profit for the half-year attributable to the owners of TerraCom Limited	up	206.6%	to	52,741

The Interim Consolidated Financial Report for the 6 months ended 31 December 2021 should be read in conjunction with the 2021 Annual Financial Report.

3. Dividends

No dividends have been paid, recommended or declared during the current or previous reporting period.

4. Net tangible assets

	Reporting period Cents	Previous period *restated Cents
Net tangible assets per ordinary security	(1.97)	(3.64)

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

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:

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

Given the loss of operating and management rights of 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.

6. Control gained over entities

No change since 30 June 2021.

7. Audit qualification or review

The Interim Consolidated Financial Statements for the 6 months ended 31 December 2021 were subject to review by auditors and the review report is attached to the financial statements.

8. Attachments

The Interim Consolidated Financial Statements for the 6 months ended 31 December 2021 are attached.

This announcement has been approved by the Board for release.

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

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

About TerraCom Limited

TerraCom Limited (ASX: TER) is an emerging company originating as a resource explorer with a large portfolio of operating assets in Australia and South Africa. We are currently enacting a growth strategy towards delivering a Mid-Tier diversified operating and trading business and have global focus on the development of a high yielding diversified asset portfolio for its investors. To learn more about TerraCom visit terracomresources.com.

TerraCom Limited

(ABN 35 143 533 537)

Interim consolidated financial statements for the 6 months ended 31 December 2021

Contents

General information

The financial statements are presented in Australian dollars (AUD), which is the presentation currency of TerraCom Limited. The functional currency of the Australian exploration subsidiaries and United Kingdom subsidiaries is Australian dollars (AUD), the South African subsidiaries and associates functional currency is South African Rand (ZAR), and the balance 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 at Blair Athol Mine Access Road, Clermont, Queensland, 4721.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2022. The Directors have the power to amend and reissue the financial statements.

Corporate directory

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

Directors' Report

This half-year report for the 6 months ended 31 December 2021 is for TerraCom Limited (**TerraCom** or **the Company**) and its controlled entities (collectively known as **the Group**).

1. Directors

The following persons were directors of TerraCom Limited during the half-year reporting period and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Mr Craig Ransley (Executive Chairman)

Mr Daniel (Danny) McCarthy (Managing Director)

Mr Matthew Hunter

Mr Glen Lewis

Mr Craig Lyons

Mr Shane Kyriakou

Mr Graeme Campbell (appointed 28 January 2022)

Mr Mark Lochtenberg (appointed 28 January 2022)

2. Principal activities

During the period, the principal activity of the Group was operating and developing coal mines in Australia and South Africa. Significant changes in the nature of the activities of the Group during the reporting period are outlined below.

3. Significant changes in the state of affairs

Maturity date extension of Euroclear Bond

On 30 November 2021, the Company executed long form documents which extended the maturity date of the existing Euroclear Bond to 31 December 2022.

There were no changes to the commercial terms of the facility which are outlined below:

- Interest Rate 12.5% per annum fixed
- Special Interest 0.75% of Blair Athol revenues

With respect to repayment, principal and interest is to be paid monthly via an agreed cash sweep arrangement which is linked to the Company's financial performance. During the 6-month period to 31 December 2021, the Company paid a total of US$44.1 million in interest (including special interest), fees and principal. After these payments, the total principal owing as at 31 December 2021 was US$134.9 million, which represents a reduction of US$32.2 million, equivalent to 19% of the facility balance as at 30 June 2021.

During the period 1 January 2022 to 25 February 2022, the Company paid a further US$25.9 million in interest (including special interest), fees and principal. As at the date of this report, the total principal owing on the Euroclear Bond is US$111.8 million.

The Company is pleased with the continued debt reduction, and based on current market indexes, looks forward to continuing to deleverage the Company through the extinguishment of the Euroclear Bond on or before 31 December 2022. The improved balance sheet should increase the value proposition for shareholders and ultimately could provide an annuity stream for shareholders through sustained dividends.

Loss of 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:

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

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

Directors' Report (continued)

The loss of control under AASB 10 on 31 October 2021 does not change the economic or equity interest TerraCom has in NBC. Both prior and subsequent to 31 October 2021 TerraCom is entitled to 49% of the economic returns of NBC. On the basis of NBC being managed by the NBC board of directors, UCEHSA and Ndalamo exercise joint control over NBC. In accordance with AASB10, from 31 October 2021 NBC is treated by TerraCom as an Investment in Associate.

Following the expiry of the operating and management agreement at NBC, the Company has been working with fellow shareholder, Ndalamo, to determine the most appropriate operating and management structure going forward for the following operations:

- Universal Coal Development III (Pty) Ltd, Ubuntu Colliery (**Ubuntu**)
- Universal Coal Development IV (Pty) Ltd, New Clydesdale Colliery (**NCC**)

The Company will continue to assess its position of control in accordance with AASB10.

4. Safety and Covid-19

The Group operations promote health and safety as a core value of the business.

The wellbeing of our people is a key driver for TerraCom and the Company is committed to providing a safe working environment, whilst ensuring production targets are achieved.

Safety performance for the half-year for the Group improved, with the Total Recordable Injury Frequency Rate decreasing to 2.87, and improvement of 8% quarter on quarter, the Lost Time Injury Frequency Rate improved slightly to 1.08.

The Group amended its detailed COVID-19 Management Plans in compliance with the relevant regulations and protocols in the jurisdictions of its business to manage potential outbreaks to keep out workforce, their families and the communities in which we operate safe and maintain our operations.

5. Operating and Financial Review

The profit after income tax from continuing operations for the half-year for the Group amounted to $57.4 million (31 December 2020 restated: loss of $67.0 million), of this $52.7 million was directly attributable to TerraCom (31 December 2020 restated: loss attributable to TerraCom of $49.4 million).

A restatement to the 31 December 2020 result has been required to appropriately present the Company's position of control with regard to the accounting for AASB10 at that point in time. As the control position was correctly reported in the 30 June 2021 financial statements there is no restatement required to the consolidated statement of financial position. Refer to note 11 regarding further information regarding the restatement.

The consolidated comprehensive profit for the half-year of the Group amounted to $45.3 million (December 2020 restated: consolidated loss of $35.7 million) of this $43.5 million was directly attributable to TerraCom (31 December 2020 restate: loss attributable to TerraCom of $20.8 million).

Highlights

Production results achieved for the 6 months ended 31 December 2021 (includes continuing operations only):

- Run of mine production 6.3 million tonnes (December 2020: 5.8 million tonnes)
- Coal sales 4.5 million tonnes (December 2020: 4.1 million tonnes)

Financial results from continuing operations for the TerraCom Group achieved for the 6 months ended 31 December 2021:

- The Group delivered an exceptional result off the back of strong market conditions.
- Revenue from operations of $387.4 million (December 2020 restated: $255.8 million), representing a 51% increase on prior corresponding period.
- Earnings before interest, tax, depreciation and amortisation (**EBITDA**) of $126.2 million (December 2020 restated: loss of $17.2 million from continuing operations).
- Net profit after tax of $57.4 million (December 2020 restated: after tax loss of $67.0 million).
- Net profit after tax attributable to TerraCom of $52.7 million (December 2020 restated: attributable loss of $49.4 million).

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Directors' Report (continued)

5. Operating and Financial Review (continued)

Current Operations and Project Structure

AUSTRALIA

OPERATIONS	PROJECTS
Blair Athol	Northern Galilee
	Springsure

SOUTH AFRICA

OPERATIONS	PROJECTS
New Clydesdale Colliery	Berenice Project
North Block Complex	Cygnus Project
Ubuntu Colliery	
Kangala & Eloff Colliery	

Financial Performance

TerraCom Group	31 December 2021	31 December 2020 Restated*	Variance (%)
Revenue	$387.4 m	$255.8 m	51%
EBITDA	$126.2 m	($17.2 m)	>100%
Profit after tax	$57.4 m	($67.0 m)	>100%
Profit after tax (attributable to TerraCom)	$52.7 m	($49.4 m)	>100%
Diluted earnings (loss) per share	6.63	(6.56)	>100%
Net cash from operating activities	$61.1 m	($33.3 m)	>100%
TerraCom Group	**31 December 2021**	**30 June 2021**	**Variance (%)**
Cash and cash equivalents	$12.4 m	$11.2 m	11%
Restricted cash	$47.0 m	$47.0 m	-
Trade Payables	$87.4 m	$128.7 m	32%
Euroclear Bond – redemption amount	US$134.9 m	US$167.1 m	19%

The Group generated earnings before interest, tax, depreciation and amortisation (**EBITDA**) of $126.2 million for the financial half-year ended 31 December 2021. EBITDA was up $143 million, representing more than a 100% improvement on the prior corresponding period. The result was positively impacted by the strong export coal market and the Group's continued focus on cost management and production efficiencies.

Earnings after tax attributable to TerraCom was $52.7 million, up $103 million (>100%) on the prior corresponding period. Whilst the Company has reported a positive earnings result for the half-year ended 31 December 2021, the Company remains focused on debt reduction, hence no interim dividend has been declared. As previously announced, based on current market conditions, it is forecast that the Euroclear Bond will be fully repaid in the September 2022 Quarter and once repaid, the Company will focus on its primary objective of returning dividends to shareholders.

Cash and cash equivalents of $12.4 million (June 2021: $11.2 million), and restricted cash of $47.0 million (June 2021: $47.0 million).

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Directors' Report (continued)

Operational Overview

Operations	Commodity	Annual ROM Production	Life of Mine
AUSTRALIA			
Blair Athol	Thermal Coal	**2.5**	Approximately 10 years at current operational run rate
SOUTH AFRICA			
NCC	Thermal Coal	**4.3**	13 years
NBC	Thermal Coal	**4.3**	9 years
Ubuntu	Thermal Coal	**1.2**	6 years
Kangala and Eloff	Thermal Coal	**3.2**	Currently on care and maintenance. 10-year Eloff extension fully permitted subject to finalisation of domestic sales contract.

Operational Summary

The following summary includes continuing operations only and therefore excludes any data for the Kangala colliery in the comparative period.

Review of continuing operations - Consolidated (Total tonnes[1])

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	6,255	5,779	8%
Saleable coal	4,464	4,121	8%
Coal sales	4,436	4,119	8%
Inventory (ROM)	356	448	(20%)
Inventory (Saleable)	371	266	39%

Review of continuing operations – Consolidated (Equity tonnes[2])

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	3,715	3,490	6%
Saleable coal	2,724	2,622	4%
Coal sales	2,718	2,633	3%
Inventory (ROM)	181	237	(24%)
Inventory (Saleable)	229	192	19%

[1] *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] *The data represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.*

Directors' Report (continued)

Review of operations – Mine by Mine

Australia – 100% Equity Interest

Blair Athol Mine

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	1,274	1,290	(1%)
Saleable coal	1,052	1,181	(11%)
Coal sales	1,067	1,205	(11%)
Inventory (ROM)	12	35	(65%)
Inventory (Saleable)	92	121	(24%)

The run of mine production at the Company's Blair Athol Mine (**BA**) in Queensland is approximately 2.5 million tonnes per annum. The life of mine is approximately 10 years at the current operational run rate. Thermal coal from BA is exported through Dalrymple Bay Coal Terminal and coal is sold to Japan, South Korea and Indian sponge iron markets.

For the 6 months ended December 2021 BA achieved coal sales of 1.07 million tonnes. The mine continues to deliver strong EBITDA results from the buoyant export coal market and management continues to focus on controlling costs, following the transition to owner operator on 31 July 2020.

Looking forward, the BA operation is fully sold until mid-May 2022 and remains on track for coal sales in the 2022 financial year of approximately 2.3 million tonnes.

South Africa

Note: tonnes shown in the tables below for the South African operations represent total tonnes i.e 100% from each operation

New Clydesdale Colliery (NCC) - 49% Equity Interest

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	2,156	2,211	(2%)
Saleable coal	1,376	1,270	8%
Coal sales	1,276	1,216	5%
Inventory (ROM)	102	114	(10%)
Inventory (Saleable)	71	56	26%

New Clydesdale Colliery (**NCC**) is a multi-product open cast and underground mine with the ability to produce domestic and export quality product. NCC has a 1.6Mt per annum offtake agreement with Eskom[3], South Africa's largest power generator, until 2024 and an export offtake for 650Kt per annum with a global trader.

Despite seasonal rainfall activity and slow truck movements into the Eskom power station impacting results for the month of December, the colliery performed well across the full 6 month reporting period, achieving 1.3Mt total coal sales, an increase of 5% on the prior corresponding reporting period.

NCC has been focused on increasing its export sales during the last 6 months in order to capitalise on the attractive export coal pricing. Total export coal sales have continued to increase month on month with NCC increasing its export deliveries by 30% in the December 2022 Quarter as compared to the September 2021 Quarter. With ongoing logistics constraints being experienced in South Africa, road haulage options continue to be developed in order to maintain and further increase export sales from NCC.

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[3] Eskom contracts are subject to total energy delivered over the contract term. This could result in the Eskom contract expiring before the end of the term disclosed.

Directors' Report (continued)

North Block Complex (NBC) - 49% Equity Interest

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	2,125	1,514	40%
Saleable coal	1,571	990	59%
Coal sales	1,563	1,082	44%
Inventory (ROM)	48	173	(73%)
Inventory (Saleable)	187	36	>100%

North Block Complex (**NBC**) produces both a domestic and export thermal coal product with the colliery achieving annualised ROM production of approximately 4.3 million tonnes per annum. NBC has a 2.4 million tonnes per annum offtake agreement with Eskom[3] until 2030.

Since achieving its first full shipment of thermal coal sailing in March 2021, NBC has solidified itself as a reliable supplier of high quality export thermal coal to market and the colliery continues to expand on its export sales, notwithstanding the ongoing export supply chain constraints in South Africa. NBC achieved total export sales for the 6 months ending 31 December 2021 of 225,000 tonnes compared to 187,000 tonnes for the comparative period to 31 December 2020.

Ubuntu - 49% Equity Interest

	HY2022 (kt)	HY2021 (kt)	Movement %
ROM coal production	700	764	(8%)
Saleable coal	465	680	(32%)
Coal sales	529	616	(14%)
Inventory (ROM)	194	126	54%
Inventory (Saleable)	21	53	(61%)

The Ubuntu colliery produces domestic thermal coal at a run rate of 1.2 million tonnes per annum. Ubuntu production has been tailored to meet the Eskom demand for the crush and screen product which the colliery produces.

Ubuntu had a relatively strong 6 months to 31 December 2021 with coal sales totaling 529,000 tonnes. Whilst this result is lower than the comparative period by 87,000 tonnes or 14%, the colliery experienced excessive rain and supply constraints imposed by the Eskom power station during the month of December 2021 which negatively impacted the results.

Ubuntu has a committed Coal Supply Agreement with Eskom[3] until 2023, for the annual supply of 1.2 million tonnes of domestic thermal coal.

Kangala - 70.5% Equity Interest

	HY2022 (kt)	HY2021 (kt)
ROM coal production	-	1,026
Saleable coal	-	807
Coal sales	-	763
Inventory (ROM)	-	64
Inventory (Saleable)	-	86

The Kangala colliery officially reached the end of its resource life with last ROM coal mined in January 2021. Whilst Kangala has a committed 2 million tonnes per annum of Coal Supply Agreement (CSA) with Eskom, until 2023, the CSA reached its total energy content deliverable under the CSA in February 2021. This was due to accelerated delivery of the energy content delivered to Eskom throughout the earlier years of the CSA.

Directors' Report (continued)

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 has received full regulatory approval and now awaits the finalisation of the domestic offtake agreement with Eskom to recommence 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.

6. Dividends

There were no dividends paid or declared to TerraCom shareholders during the six months ended 31 December 2021 (2020: $nil).

7. Matters subsequent to the end of the financial half-year

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

8. 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.

9. Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001 (Cth)*.

Signed on behalf of the Directors

Craig Ransley
Executive Chairman

Danny McCarthy
Managing Director

Ernst & Young
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Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Auditor's independence declaration to the directors of TerraCom Limited

As lead auditor for the review of the half-year financial report of TerraCom Limited for the half-year ended 31 December 2021, 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ryan Fisk
Partner
28 February 2022

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Liability limited by a scheme approved under Professional Standards Legislation

Interim consolidated statement of profit or loss and other comprehensive income

	Note	31 December 2021 $ '000	31 December 2020 *restated $ '000
Continuing operations			
Revenue		387,442	255,816
Cost of goods sold		(235,625)	(236,324)
Gross profit		**151,817**	**19,492**
Other operating and administration expenses		(24,817)	(30,201)
Net foreign exchange losses		(5,554)	(6,472)
Share of profit (losses) of associate	8	2,613	(5)
Gain on deconsolidation of North Block Complex (Pty) Ltd	3	2,144	-
EBITDA		**126,203**	**(17,186)**
Depreciation and amortisation expense		(17,319)	(16,051)
Finance income		476	541
Finance expenses	4	(28,232)	(22,448)
Profit (loss) before taxation from continuing operations		**81,128**	**(55,144)**
Income tax expense		(23,743)	(11,840)
Profit (loss) for the 6 months from continuing operations		**57,385**	**(66,984)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(12,117)	31,254
Other comprehensive income (loss) for the 6 months net of taxation		**45,268**	**(35,730)**
Profit (loss) attributable to:			
Owners of the parent		52,741	(49,436)
Non-controlling interest		4,644	(17,548)
		57,385	**(66,984)**
Total comprehensive income (loss) attributable to:			
Owners of the parent		43,473	(20,800)
Non-controlling interest		1,795	(14,930)
		45,268	**(35,730)**
Earnings per share for profit (loss) attributable to the owners of TerraCom Limited			
Basic earnings (loss) per share (cents)		6.99	(6.56)
Diluted earnings (loss) per share (cents)		6.63	(6.56)

** Due to a change in assessment of control of the South African operations a re-statement was required to the 31 December 2020 numbers. For further information refer to note 11.*

The above interim consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

Interim consolidated statement of financial position as at 31 December 2021

	Note	31 December 2021 $ '000	30 June 2021 $ '000
Assets			
Current Assets			
Cash and cash equivalents		12,396	11,186
Trade and other receivables		45,648	67,232
Inventories		16,176	21,717
Ndalamo loan receivable		4,044	4,368
		78,264	**104,503**
Non-Current Assets			
Trade and other receivables		-	2,254
Restricted cash	5	47,032	47,032
Investments accounted for using the equity method	8	32,497	38
Other financial assets		5,886	8,362
Property, plant and equipment	6	167,385	285,128
Exploration and evaluation assets	7	115,803	123,568
Deferred tax asset		22,378	39,683
Other non-current assets		17,494	13,423
		408,475	**519,488**
Total Assets		**486,739**	**623,991**
Liabilities			
Current Liabilities			
Trade and other payables		86,496	127,375
Borrowings	9	233,155	272,772
Lease liabilities		754	1,652
Provisions	10	5,519	3,360
Financial liabilities		2,355	895
		328,279	**406,054**
Non-Current Liabilities			
Trade and other payables		870	1,305
Borrowings	9	30,610	41,824
Lease liabilities		192	280
Deferred tax liability		10,411	29,182
Provisions	10	126,438	167,686
Ndalamo loan payable		4,805	5,165
		173,326	**245,442**
Total Liabilities		**501,605**	**651,496**
Net Liabilities		**(14,866)**	**(27,505)**

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Interim consolidated statement of financial position as at 31 December 2021 (continued)

	Note	31 December 2021 $ '000	30 June 2021 $ '000
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital		335,657	335,657
Reserves		20,492	29,760
Accumulated loss		(393,082)	(445,823)
		(36,933)	(80,406)
Non-controlling interest		22,067	52,901
Total equity		**(14,866)**	**(27,505)**

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes

Interim consolidated statement of changes in equity

	Issued capital	Foreign currency translation reserve	Share based payments / options reserve	Accumulated losses	Non-controlling interest	Total equity
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 01 July 2020	**335,492**	**2,539**	**11,911**	**(361,513)**	**74,887**	**63,316**
Loss for the 6 months	-	-	-	(49,436)	(17,548)	(66,984)
Other comprehensive income	-	28,636	-	-	2,618	31,254
Total comprehensive loss for the 6 months	**-**	**28,636**	**-**	**(49,436)**	**(14,930)**	**(35,730)**
Share based payments	150	-	-	-	-	150
Dividends paid by subsidiary to Non-controlling interest	-	-	-	-	(1,016)	(1,016)
Balance at 31 December 2020 *restated	**335,642**	**31,175**	**11,911**	**(410,949)**	**58,941**	**26,720**
Balance at 01 July 2021	**335,657**	**29,760**	**-**	**(445,823)**	**52,901**	**(27,505)**
Profit for the 6 months	-	-	-	52,741	4,644	57,385
Other comprehensive income	-	(9,268)	-	-	(2,849)	(12,117)
Total comprehensive income for the 6 months	**-**	**(9,268)**	**-**	**52,741**	**1,795**	**45,268**
Deconsolidation of North Block Complex (Pty) Ltd	-	-	-	-	(28,887)	(28,887)
Dividends paid by subsidiary to Non-controlling interest	-	-	-	-	(3,742)	(3,742)
Balance at 31 December 2021	**335,657**	**20,492**	**-**	**(393,082)**	**22,067**	**(14,866)**

** Due to a change in assessment of control of the South African operations a re-statement was required to the 31 December 2020 numbers. For further information refer to note 11.*

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

Interim consolidated statement of cashflows

	Note	31 December 2021 $ '000	31 December 2020 *restated $ '000
Cash flows from operating activities			
Receipts from customers		408,076	240,374
Payments to suppliers and employees		(311,203)	(260,845)
Interest received		40	353
Tax payments made		(4,179)	(662)
		92,734	(20,780)
Interest and other finance costs paid		(31,587)	(12,496)
Net cash from operating activities		**61,147**	**(33,276)**
Cash flows from investing activities			
Payments for property plant and equipment		(6,306)	(5,803)
Payments for exploration and evaluation		(76)	(673)
Release from restricted cash / other		103	647
Contribution to rehab insurance collateral		(718)	(1,039)
Payments for security deposits		(4,693)	-
Deconsolidation of North Block Complex (Pty) Ltd cash and cash equivalents		(12,393)	-
Net cash used in investing activities		**(24,083)**	**(6,868)**
Cash flows from Financing activities			
Proceeds from borrowings		2,595	57,403
Repayment of borrowings		(32,548)	(22,853)
Principal lease payments		(1,079)	(729)
Dividends paid by subsidiary to non-controlling interest		(3,742)	(1,016)
Borrowing costs		(94)	-
Repayment of royalty land agreement		(423)	-
Net cash (used in) / from financing activities		**(35,291)**	**32,805**
Net increase (decrease) in cash and cash equivalents		1,773	(7,339)
Cash and cash equivalents at the beginning of the financial half-year		11,186	10,108
Effects of exchange rate changes on cash and cash equivalents		(563)	(328)
Cash and cash equivalents at the end of the financial half-year		**12,396**	**2,441**

** Due to a change in assessment of control of the South African operations a re-statement was required to the 31 December 2020 numbers. For further information refer to note 11.*

The above interim consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the interim consolidated financial statements

1. Significant accounting policies

The financial statements of TerraCom Limited (the Company) and its controlled entities (collectively known as the Group) for the 6 months ended 31 December 2021 were authorised for issue on 28 February 2022 in accordance with a resolution of the Directors.

The Company is:

- a company limited by shares;
- incorporated and domiciled in Australia;
- publicly traded on the Australian Securities Exchange (ASX code: TER); and
- a for-profit entity for the purpose of preparing the financial statements.

Basis of preparation

The half-year financial statements for the half-year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001(Cth)*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. During the reporting period ended 31 December 2020, as a result of management and board changes in Universal Coal and Energy Holdings (Pty) Ltd (UCEHSA) (subsidiary), TerraCom deconsolidated its South African operations. At the time of reporting there was a perceived loss of control, in anticipation of the finalisation of a restructure with the Group's Black Economic Empowerment partner, which was expected to be completed in Q3 FY2021. Subsequently, all agreement and discussions ceased and TerraCom immediately replaced the UCEHSA management and board, illustrating that control was never lost, and rather it was only perceived to have been lost. Given this, a restatement to the 31 December 2020 result has been required in order to appropriately present the Company's position of control in accordance with AASB10 at that point in time. Note, the control position was correctly reported in the 30 June 2021 financial statements which is why there is no restatement required to the consolidated statement of financial position. For further information refer to note 11.

The interim financial statements have been prepared on an accrual basis and are based on historical costs, except for the measurement at fair value of financial assets and financial liabilities.

The controlled entities are all those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect its returns.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value upon recognition.

Going Concern

As at 31 December 2021 the Group had a net current liability position of $250 million (30 June 2021: net current liability of $302 million). The net current liability position includes $233 million (30 June 2021: $273 million) of current debt related primarily to the Euroclear Bond and convertible note facilities which are due for repayment by 31 December 2022. Subsequent to the half year end, at the date of this report, the Company has paid down a further US$26 million interest (including special interest), fees and principal off the Euroclear Bond.

The requirement to repay or otherwise refinance the current debt prior to 31 December 2022 gives rise to a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

Notwithstanding the above, the total comprehensive profit for the period was $45.3 million (31 December 2020 restated: loss of $35.7 million). This substantial improvement has mainly been driven by increases in export coal prices. The profit after income tax for the period was $57.4 million, which consisted of major non-cash items, including $17.3 million of depreciation and amortisation, $5.6 million of foreign exchange losses and profit of $2.1 million recognised on the deconsolidation of North Block Complex (Pty) Limited.

Notes to the interim consolidated financial statements

1. Significant accounting policies (continued)

The Group generated net cash from operating activities excluding net interest and tax of $96.8 million (2021: deficit of $21.4 million). A significantly improved position from the prior corresponding period.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In the directors' opinion, the going concern basis of preparation remains appropriate because:

- The Group's current operations and prevailing global thermal coal market conditions are expected to continue to result in improved operating cash flows in 2022;
- Since 1 July 2021 and to the date of this report, the Company's cash generation has been strong and the Company has paid a total of US$70.1 million in interest (including special interest), fees and principal off the Euroclear Bond;
- The Group is committed to using free cash flow to pay off the Euroclear Bond and based on its forecasts and the current coal prices, the Group anticipates it will be able to settle the Euroclear Bond prior to its repayment date; and
- If the free cash flows are not sufficient to repay the debt in full, the Board is confident that the Group will be able to put in place alternate funding sources to repay the loan.

Despite management and the Board's confidence in being able to settle the Euroclear Bond in advance of its settlement date, if the Group is unable repay its borrowings as planned, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business at amounts different from those stated in the statement of financial position. The financial report does not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the group not continue as a going concern

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Commercial production start date

The Group assesses the stage of each mine development to determine when a mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date is determined based on the unique nature of each mine development project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce coal in saleable form (within specifications); and
- Ability to sustain ongoing production of coal.

When a mine development moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

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.

Notes to the interim consolidated financial statements (continued)

1. Significant accounting policies (continued)

Loss of control and deconsolidation (continued)

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.

New or amended Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021. The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the interim consolidated financial statements of the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. 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.

Current year result composition

The North Block Complex (Pty) Ltd (**NBC**) results have been included in the profit and loss results for the period 1 July 2021 to 31 October 2021. The remainder of the period has been equity accounted and is reflected in the income from the investment in associate.

Notes to the interim consolidated financial statements (continued)

2. Operating segments (continued)

Major customers

During the period ended 31 December 2021 the Group's external revenue was derived from sales to the following customers:

	Half-Year 31 December 2021 $'000	Half-Year 31 December 2021 %	Half-Year 31 December 2020 $'000	Half-Year 31 December 2020 %
Eskom	104,363	27 %	103,490	40 %
ITOCHU	40,961	11 %	34,873	14 %
Glencore	47,363	12 %	24,010	9 %
Vitol	54,624	14 %	-	- %
Other Customers	140,131	36 %	93,443	37 %
Total	**387,442**	**100%**	**255,816**	**100%**

Sales above only reflects NBC for the period 1 July 2021 to 31 October 2021, the date of deconsolidation.

	Australia $'000	South Africa $'000	Unallocated / Corporate $'000	Total $'000
Consolidated – Half-year 31 December 2021				
Revenue				
Sales to external customers	183,163	204,279	-	387,442
Cost of goods sold	(71,128)	(164,497)	-	(235,625)
Gross Profit	**112,035**	**39,781**	**-**	**151,817**
Other operating and administration expenses	(16,341)	(3,125)	(5,350)	(24,816)
Net foreign exchange gain (loss)	(5,636)	-	82	(5,554)
Share of profit of associates accounted for using the equity method	-	2,613	-	2,613
Gain on deconsolidation of North Block Complex (Pty) Ltd	-	2,144	-	2,144
EBITDA	**90,058**	**41,413**	**(5,268)**	**126,203**
Depreciation and amortisation expense	(6,786)	(10,521)	(12)	(17,319)
Net finance expenses	(518)	(5,535)	(21,703)	(27,756)
Profit (loss) before income tax	**82,754**	**25,357**	**(26,983)**	**81,128**
Income tax expense	(16,572)	(6,778)	(393)	(23,743)
Profit (loss) after income tax	**66,182**	**18,579**	**(27,376)**	**57,385**
Consolidated - 31 December 2021				
Assets				
Segment assets	213,087	271,058	2,594	486,739
Total assets	**213,087**	**271,058**	**2,594**	**486,739**
Liabilities				
Segment liabilities	139,668	144,659	217,278	501,605
Total liabilities	**139,668**	**144,659**	**217,278**	**501,605**

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Notes to the interim consolidated financial statements (continued)

2. Operating segments (continued)

	Australia $'000	South Africa $'000	Unallocated / Corporate $'000	Total $'000
Consolidated – Half-year 31 December 2020				
Revenue				
Sales to external customers	70,892	184,924	-	255,816
Cost of goods sold	(71,655)	(164,669)	-	(236,324)
Gross Profit	**(763)**	**20,255**	**-**	**19,492**
Other operating and administration expenses	(2,520)	(19,818)	(7,863)	(30,201)
Net foreign exchange gain (loss)	-	(10)	(6,462)	(6,472)
Share of profit of associates accounted for using the equity method	-	(5)	-	(5)
EBITDA	**(3,283)**	**422**	**(14,325)**	**(17,186)**
Depreciation and amortisation expense	(7,264)	(8,787)	-	(16,051)
Net finance expenses	(522)	(4,030)	(17,355)	(21,907)
Profit/(loss) before income tax	**(11,069)**	**(12,395)**	**(31,680)**	**(55,144)**
Income tax expense	-	(11,411)	(429)	(11,840)
Profit/(loss) after income tax benefit	**(11,069)**	**(23,806)**	**(32,109)**	**(66,984)**
Consolidated – 30 June 2021				
Assets				
Segment assets	216,214	404,750	3,027	623,991
Total assets	**216,214**	**404,750**	**3,027**	**623,991**
Liabilities				
Segment liabilities	137,228	246,560	267,708	651,496
Total liabilities	**137,228**	**246,560**	**267,708**	**651,496**

3. Deconsolidation of North Block Complex (Pty) Limited

	31 December 2021 $ '000	31 December 2020 $ '000
Gain on deconsolidation of North Block Complex (Pty) Limited	**2,144**	**-**

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:

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

Given the loss of operating and management rights of 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.

Notes to the interim consolidated financial statements (continued)

3. Deconsolidation of North Block Complex (Pty) Limited (continued)

The carrying value of North Block Complex (Pty) Ltd at the date that control was lost has been indicated below:

	31 October 2021 $'000
Assets	
Cash and cash equivalents	12,393
Trade and other receivables	21,574
Inventories	4,501
Property, plant and equipment	94,924
Exploration and evaluation	3,535
Total assets	**136,927**
Liabilities	
Trade and other payables	22,929
Provisions	36,719
Borrowings	3,515
Deferred tax	17,181
Total liabilities	**80,344**
Net assets	**56,583**
Equity	
Net assets	56,583
Non-controlling interest	(28,887)
Net assets attributable to TerraCom	**27,696**

The financial result for North Block Complex (Pty) Ltd from 1 July 2021 until 31 October 2021 as consolidated by the Group in the half year result:

	31 October 2021 $'000
Revenue	71,382
Cost of goods sold	(51,567)
Gross profit	**19,815**
Other operating and administrative expense	(6,703)
EBITDA	**13,112**
Depreciation and amortisation expense	(173)
Net finance expenses	(1,631)
Net profit before income tax expense	11,308
Income tax expense	(3,171)
Profit after income tax expense	**8,137**

Notes to the interim consolidated financial statements (continued)

3. Deconsolidation of North Block Complex (Pty) Limited (continued)

The cash flow result for NBC from 1 July 2021 until 31 October 2021 as consolidated by the Group in the half year result is as follows:

	31 October 2021 $'000
Net cash generated from operating activities	22,956
Net cash used in investing activities	(1,250)
Net cash used in financing activities*	(8,484)
Net increase in cash and cash equivalents	**13,222**

* Includes dividend paid to TerraCom via wholly owned subsidiary, UCEHSA.

	31 October 2021 $'000
Deconsolidation of carrying value of North Block Complex (Pty) Ltd	(27,696)
Recognition of the fair value of the North Block Complex (Pty) Ltd Investment in Associate	29,840
Gain on deconsolidation of North Block Complex (Pty) Ltd attributable to TerraCom	**2,144**

4. Finance expenses

	31 December 2021 $ '000	31 December 2020 $ '000
Interest expense on interest bearing loans	22,880	16,588
Other interest and finance expenses	5,352	5,860
Total finance costs	**28,232**	**22,448**

5. Restricted cash

	31 December 2021 $ '000	30 June 2021 $ '000
Bank deposit	2,032	2,032
Secured deposit	45,000	45,000
Bank deposit	**47,032**	**47,032**

The bank deposit consists of the following:

- $2.00 million held by the State Bank of India, Sydney Branch as required for both the facilities as per the agreement.
- $0.03 million consists 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 $72.0 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 payable 6 monthly in arrears.

Notes to the interim consolidated financial statements (continued)

6. Property, plant and equipment

	31 December 2021			30 June 2021		
	Cost or revaluation $'000	Accumulated depreciation $'000	Carrying value $'000	Cost or revaluation $'000	Accumulated depreciation $'000	Carrying value $'000
Land and buildings	6,023	-	6,023	5,831	-	5,831
Plant and equipment	45,732	(22,310)	23,422	54,536	(22,449)	32,087
Mine development	262,057	(142,133)	119,924	376,723	(151,979)	224,744
Right-of-use assets - land and buildings	726	(326)	400	778	(243)	535
Right-of-use assets - plant and equipment	3,202	(2,603)	599	3,100	(1,638)	1,462
Capital - work in progress	17,017	-	17,017	20,469	-	20,469
Total	**334,757**	**(167,372)**	**167,385**	**461,437**	**(176,309)**	**285,128**

Notes to the interim consolidated financial statements (continued)

6. Property, plant and equipment (continued)

	Opening balance	Additions	Decon-solidation	Transfers	Exchange differences	Other*	Depreciation	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land and buildings	5,831	-	-	-	192	-	-	6,023
Plant and equipment	32,087	437	(3,602)	-	(3,167)	-	(2,333)	23,422
Mine development	224,744	608	(86,484)	2,831	(7,802)	-	(13,973)	119,924
Right-of-use assets - land and buildings	535	-	-	-	(31)	-	(104)	400
Right-of-use assets- plant and equipment	1,462	145	-	-	(114)	15	(909)	599
Capital - work in progress	20,469	5,261	(4,838)	(2,831)	(1,044)	-	-	17,017
	285,128	**6,451**	**(94,924)**	**-**	**(11,966)**	**15**	**(17,319)**	**167,385**

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Disposals	Transfers	Exchange differences	Other*	Depreciation	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Land and buildings	6,344	-	-	-	(513)	-	-	5,831
Plant and equipment	31,770	3,453	(145)	2,708	(340)	-	(5,359)	32,087
Mine development	208,907	10,000	(816)	20,066	12,579	10,292	(36,284)	224,744
Right-of-use assets - land and buildings	1,019	-	-	-	70	(433)	(121)	535
Right-of-use assets- plant and equipment	3,716	1,250	-	-	(344)	(1,998)	(1,162)	1,462
Capital - work in progress	27,797	13,962	-	(22,774)	1,484	-	-	20,469
	279,553	**28,665**	**(961)**	**-**	**12,936**	**7,861**	**(42,926)**	**285,128**

* Other for right of use assets relates to modifications to leases and leased assets derecognised. Other for mine development relates to rehabilitation asset adjustments for changes in assumptions.

Notes to the interim consolidated financial statements (continued)

7. Non-current assets – Exploration and evaluation assets

	31 December 2021 $ '000	30 June 2021 $ '000
Exploration and evaluation	**115,803**	**123,568**

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Opening balance $'000	Additions $'000	Deconsolidation $'000	Exchange differences $'000	Total $'000
Exploration and evaluation	123,568	76	(3,535)	(4,306)	115,803

The interest in mining tenements has not changed significantly from 30 June 2021 as listed in note 17 of the 2021 Annual Financial Report. Refer to note 3 for details regarding the deconsolidation of North Block Complex (Pty) Ltd.

8. Non-current assets – Investments accounted for using the equity method

	31 December 2021 $ '000	30 June 2021 $ '000
Universal Coal Development VI (Pty) Limited	19	17
Universal Coal Logistics (Pty) Limited	25	21
North Block Complex (Pty) Ltd	32,453	-
	32,497	**38**

Per note 3, 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.

On the basis of NBC being managed by the NBC board of directors, UCEHSA and Ndalamo exercise joint control over NBC. In accordance with AASB10, from 31 October 2021 NBC is treated by TerraCom as an Investment in Associate and accounted for using the equity method. At 30 June 2021, the Group disclosed NBC as part of the consolidated Group.

Below is the statement of financial position and statement of profit or loss for NBC for the 2 months ending 31 December 2021.

Summarised financial information of North Block Complex (Pty) Ltd - 100%	2-months ended 31 December 2021
Summarised statement of profit or loss and other comprehensive income	$ '000
Revenue	24,026
Expenses	(18,692)
Profit from continuing operations	**5,334**
Other comprehensive income	-
Total comprehensive income	**5,334**

The total comprehensive income attributable to TerraCom is $2.61 million as disclosed on the consolidated statement of profit or loss and other comprehensive income on page 11.

Notes to the interim consolidated financial statements (continued)

8. Non-current assets – Investments accounted for using the equity method (continued)

Summarised statement of financial position	31 December 2021 $ '000
Assets	
Current	89,555
Non-current	32,367
Total assets	**121,922**
Liabilities	
Current	53,101
Non-current	12,963
Total liabilities	**66,064**
Total net assets	**55,858**
Total net assets attributable to TerraCom	**27,370**
Fair value adjustment	**5,083**
Total carrying amount of investment in associate - North Block Complex (Pty) Ltd	**32,453**

The summarised information presented above reflects the financial statements of the associate after adjusting for differences in accounting policies between the company and the associate.

9. Non-current liabilities – Borrowings

	31 December 2021 $ '000	30 June 2021 $ '000
Current borrowing		
Listed (Euroclear) bond	185,952	222,830
State Bank of India facilities	5,880	5,230
Convertible note facility	27,564	26,684
Overdraft	259	210
Prepayment facility	-	2,668
Standard Bank of South Africa facilities	13,500	15,150
	233,155	**272,772**
Non-current borrowings		
State Bank of India facilities	3,315	6,240
Standard Bank of South Africa facilities	27,295	35,584
	30,610	**41,824**

Euroclear Bond

On 30 November 2021, the Company executed long form documents which extended the maturity date of the existing Euroclear Bond to 31 December 2022. There were no changes to the commercial arrangements noting that the facility is denominated in United States Dollars (USD) and bears a cash interest rate of 12.5% per annum, payable 6 monthly in arrears. The facility includes a special interest component which has been treated as a separate non-derivative financial liability at 31 December 2021.

With respect to repayment, principal and interest is to be repaid monthly via an agreed cash sweep arrangement which is linked to the Company's financial performance. During the 6-month period to 31 December 2021, the Company paid a total of US$44.1 million in interest (including special interest), fees and principal. After these payments, the total principal owing as at 31 December 2021 was US$134.9 million, which represents a reduction of US$32.2 million, equivalent to 19% of the facility balance as at 30 June 2021.

Notes to the interim consolidated financial statements (continued)

9. Non-current liabilities – Borrowings (continued)

State Bank of India facilities

Facility 1 (Clermont Houses) - This facility, entered into on 7 June 2018, is for a period of 60 months from commencement date and currently bears an interest rate of 1-month BBSY plus a margin of 5.75%. Monthly principal repayments of $0.24 million commenced in December 2018 and continued until November 2021. The monthly principal repayments then changed to $0.37 million from December 2021 to April 2023. A final principal repayment of $0.07 million will be made in May 2023.

Facility 2 (Excavator) – This facility, entered into on 5 March 2021 for $4.27 million, for a period of 36 months from commencement date and bears an interest rate of 1-month BBSY plus a margin of 6.00%. Monthly principal repayments of $0.12 million for the first 35 months with a final repayment of $0.07 million to be made in March 2024.

With respect to both SBI facilities, the BBSY rate for December 2021 was 0.06% (30 June 2021: 0.06%). Under the overall facility agreement (comprising Facility 1 and Facility 2), the company is required to maintain a $2.00 million term deposit with SBI. Refer to Restricted cash (note 5) for further details.

Convertible Note facility

On 24 December 2019 TerraCom completed a Convertible Bond Facility for US$20 million with Madison Pacific Trust Limited being appointed as the Note Trustee, and the Initial Noteholders comprising OL Master (Singapore Fund 1) Pte Ltd (OCP Asia). The facility was for 3 years, with a redemption date of 23 December 2022 unless converted to equity and bears an interest rate of 9.95% per annum. Interest is paid every 6 months in arrears commencing on 30 June 2020 with a final interest payment due on the redemption date. The convertible note included the option to convert the notes into TerraCom shares at a price of $0.696 per share.

Consistent with the repayment of the Listed (Euroclear) Bond, discussed above, the Company has agreed for the convertible note facility to be repaid as part of the refinance and is therefore now due for repayment on 31 December 2022. Accordingly, as at 31 December 2021, the facility has been recorded as current.

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 600 million South African Rand.

Drawn funds from the facility bear interest at three-month JIBAR plus 3.9% per annum and this is serviced quarterly, following drawdown. Repayments will be through 16 equal quarterly payments and commenced on 30 September 2021.

Security over the debt facilities is 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.

10. Provisions

	30 June 2021	Utilised during the year	Exchange differences	Unwinding of discount	Decon-solidation of NBC	31 December 2021
	$'000	$'000		$'000	$'000	$'000
Mine rehabilitation and closure	165,343	-	(5,958)	3,599	(36,546)	126,438
Long service leave	2,343	-	-	-	-	2,343
Annual leave	3,360	156	(167)	-	(173)	3,176
	171,046	**156**	**(6,125)**	**3,599**	**(36,719)**	**131,957**

	31 December 2021	30 June 2021
	$ '000	$ '000
Current liabilities	5,519	3,360
Non-current liabilities	126,438	167,686
	131,957	**171,046**

Notes to the interim consolidated financial statements (continued)

10. Provisions (continued)

Mine rehabilitation and closure

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the estimated life of the mine (up to 13 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. This, in turn, will depend upon future coal prices, which are inherently uncertain.

11. Prior period restatement

During the reporting period ended 31 December 2020, as a result of management and board changes in Universal Coal and Energy Holdings (Pty) Ltd (**UCEHSA**) (subsidiary), TerraCom deconsolidated its South African operations. At the time of reporting there was a perceived loss of control, in anticipation of the finalisation of a restructure with the Group's Black Economic Empowerment partner, Ndalamo, which was expected to be completed in Q3 FY2021. Subsequently, all agreement and discussions ceased and TerraCom immediately replaced the UCEHSA management and board, illustrating that control was never lost, and rather it was only perceived to have been lost.

Given the above, a restatement to the 31 December 2020 result has been required in order to appropriately present the Company's position of control in accordance with AASB10 at that point in time. The control position was correctly reported in the 30 June 2021 financial statements hence no restatement was required to the consolidated statement of financial position.

There is no change in the underlying economic interest of TerraCom.

The impacts on the financial statements of the restatement are disclosed below:

Consolidated statement of profit or loss and other comprehensive income

	31 December 2020 As previously stated $ '000	31 December 2020 *restated $ '000	Adjustment $'000
Continuing operations			
Revenue	190,395	255,816	65,421
Cost of goods sold	(188,299)	(236,324)	(48,025)
Gross profit	**2,096**	**19,492**	**17,396**
Net foreign exchange losses	(6,588)	(6,472)	116
Other operating and administration expenses	(17,774)	(30,201)	(12,427)
Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd	(2,436)	-	2,436
Share of (losses)/profit of associate	(2,773)	(5)	2,768
Operating profit (loss)	**(27,475)**	**(17,186)**	**(10,289)**
Depreciation and amortisation expense	(12,585)	(16,051)	(3,466)
Financial income	331	541	210
Finance expenses	(20,676)	(22,448)	(1,772)
Profit (loss) before taxation from continuing operations	**(60,405)**	**(55,144)**	**5,261**
Income tax (expense)/benefit	29	(11,840)	(11,869)
Profit (loss) for the 6 months from continuing operations	**(60,376)**	**(66,984)**	**(6,608)**

Notes to the interim consolidated financial statements (continued)

11. Prior period restatement (continued)

	31 December 2020 $ '000	31 December 2020 *restated $ '000	Variance $'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	27,143	31,254	(4,111)
Other comprehensive income (loss) for the 6 months net of taxation	**(33,233)**	**(35,730)**	**(2,497)**
Total comprehensive loss attributable to:			
Owners of the parent	(23,279)	(20,800)	2,479
Non-controlling interest	(9,954)	(14,930)	(4,976)
	(33,233)	**(35,730)**	**(2,497)**
Loss per share for loss attributable to the owners of TerraCom Limited			
Basic loss per share (cents)	(6.94)	(6.56)	(0.38)
Diluted loss per share (cents)	(6.94)	(6.56)	(0.38)

Summary of consolidated statement of cashflows

	31 December 2020 $ '000	31 December 2020 *restated $ '000	Variance $'000
Net cash used in operating activities	(32,871)	(33,276)	(405)
Net cash used in investing activities	(6,286)	(6,868)	(582)
Net cash from financing activities	32,805	32,805	-
Net decrease in cash and cash equivalents	**(6,352)**	**(7,339)**	**(987)**

12. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value (at 31 December 2021 and 30 June 2021, no assets or liabilities are 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 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.

Notes to the interim consolidated financial statements (continued)

12. Fair value measurement (continued)

Categories of financial instruments

Categories of financial assets	**Amortised cost** $ '000	**Fair value through profit or loss** $ '000	**Fair value through OCI** $ '000
Consolidated – 31 December 2021			
Trade and other receivables	45,648	-	-
Cash and cash equivalents	12,396	-	-
Restricted cash	47,032	-	-
Other assets	5,886	-	-
Ndalamo loan receivable	4,044	-	-
	115,006	**-**	**-**
Consolidated – 30 June 2021			
Trade and other receivables	67,232	-	-
Cash and cash equivalents	11,186	-	-
Restricted cash	47,032	-	-
Other assets	13,423	-	-
Ndalamo loan receivable	4,368	-	-
	143,241	**-**	**-**

Categories of financial liabilities	**Amortised cost** $ '000	**Fair value through profit or loss** $ '000	**Fair value through OCI** $ '000
Consolidated – 31 December 2021			
Trade and other payables	87,366	-	-
Borrowings	263,765	-	-
Financial liabilities	2,355	-	-
Ndalamo loan payable	4,805	-	-
	358,291	-	-
Consolidated – 30 June 2021			
Trade and other payables	128,680		
Borrowings	314,596	-	-
Financial liabilities	895	-	-
Ndalamo loan payable	5,165	-	-
	449,336	-	-

The Group does not have any Level 1, Level 2 or Level 3 financial instruments at fair value at 31 December 2021 or 30 June 2021.

Notes to the interim consolidated financial statements (continued)

13. Related parties

Relationships

Parent entity	TerraCom Limited
Associates	Interest in associates include Universal Coal Development VI (Pty) Ltd and Universal Coal Logistics (Pty) Ltd and North Block Complex (Pty) Ltd.

Related party transactions	6 months 31 December 2021	6 months 31 December 2020
Payment for goods and services:		
Issued 1,000,000 fully paid ordinary shares at an issue price of $0.15 to Mr. Wal King AO (ex-Chairman)	-	150,000
Mountain Rush Trading 6 (Pty) Ltd	-	390
Ndalamo Resources (Pty) Ltd (management fees)	5,220,117	3,503,689
Services from The Maji Trust (director fees) - James Soorley	-	79,193
Services from Lewis Mining Consulting (directors fees) - Glen Lewis	92,280	101,000
Services from OT21 Consulting (director fees) - Shane Kyriakou	59,811	94,550
Services from Craig Lyons (director fees)	174,307	127,500

	31 December 2021	30 June 2021
Related party balances	$ '000	$ '000
Current trade and other payables:		
Trade payables to Lewis Mining Consulting - Glen Lewis	-	17
Trade payables to OT21 Consulting - Shane Kyriakou	-	16
Trade payables to Craig Lyons	-	20
Trade payable to Ndalamo Resources (Pty) Ltd (relates to management fees and not included in the loan payable)	565	1,762
Receivable from and payable to related parties		
Loan receivable:		
Loan from Ndalamo Resources (Pty) Ltd - Payable to UCEHSA	4,044	4,368
Loan payable:		
Loan to Ndalamo Resources (Pty) Ltd – Payable by UCEHSA	4,805	5,165

Wal King AO

The issue of fully paid ordinary shares to Wallace King AO were part of his Non-Executive Chairman remuneration package. These fully paid ordinary shares were approved by the shareholders at the Annual General Meeting on 30 November 2020.

The Maji Trust (Maji)

The payments made by the company to The Maji Trust are for the services of Mr James Soorley acting as Non-Executive, Independent Director. Mr Soorley was appointed to this role on 8 March 2017 and resigned on 13 July 2020.

Lewis Mining Consulting

The payments made by the company to Lewis Mining Consulting are for the services of Mr Glen Lewis acting as Non-Executive, Independent Director. Mr Lewis was appointed to this role on 23 December 2019. There were no amounts owing to Mr Lewis on 31 December 2021 (30 June 2021: $17,291).

Notes to the interim consolidated financial statements (continued)

13. Related parties (continued)

Craig Lyons

The payments made by the company to Mr Craig Lyons are for his services acting as Non-Executive, Independent Director. Mr Lyons was appointed to this role on 14 July 2020. There were no amounts owing to Mr Lyons on 31 December 2021 (30 June 2021: $20,000).

OT21 Consulting

The payments made by the company to OT21 Consulting are for the services of Mr Shane Kyriakou acting as Non-Executive Director. Mr Kyriakou was appointed to this role on 7 September 2020. There were no amounts owing to Mr Kyriakou on 31 December 2021 (30 June 2021: $16,500).

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. Mountain Rush is the non-controlling interest partner that holds 29.5% of the shareholding of Universal Coal Development I (Pty) Ltd. The transaction is considered to be at "arms-length". Management fees disclosed in the table excludes any dividend distributions paid to shareholders.

Ndalamo Resources (Pty) Ltd

Fees paid to Ndalamo Resources (Pty) Ltd relate to management fees permitted in accordance with the various shareholders and management agreements that is currently in place. Ndalamo Resources is the shareholder in all other significant operations within the South African entities and currently hold 51% of NCC, NBC, Ubuntu and Eloff. The transactions are considered to be at "arms-length".

Terms and conditions

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

14. Contingent liabilities

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

There has been no change to the contingent liability disclosed within the 30 June 2021 Annual Report for Springsure Mining Pty Limited.

15. Events after the reporting period

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' declaration

In accordance with a resolution of the director of TerraCom Limited, I state that in the opinion of the directors:

a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001(Cth)*, including

   i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

   ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

On behalf of the board

Craig Ransley	Danny McCarthy
Executive Chairman	Managing Director
28 February 2022	28 February 2022

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Independent Auditor's Review Report to the Members of TerraCom Limited

Conclusion

We have reviewed the accompanying half-year financial report of TerraCom Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates the Group's current liabilities exceed its current assets by $250 million. This current liability position includes current borrowings of $233 million which are due for repayment on or before 31 December 2022. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
28 February 2022