

ASX Announcement

31 October 2023

TerraCom Limited (**TerraCom** or the **Company**) (ASX: TER), is pleased to present its quarterly activities report for the three (3) months ended 30 September 2023 (**September Quarter**).

PRODUCTION HIGHLIGHTS

- In the September Quarter the Company achieved:
 - Total coal sales¹** of 2.0Mt.
 - Total Equity coal sales²** of 1.2Mt.
- The Blair Athol (**BA**) operation recorded coal sales of 426kt, stocks of saleable coal at the end of the reporting period were 70kt, including 6kt at the mine and 64kt at the port.
- BA remains on track to deliver forecast coal sales of approximately 2.0Mt for the 12 months ending 30 June 2024.

FINANCIAL HIGHLIGHTS

- BA, which sells 5500nar typical thermal coal product, achieved an average coal price of **\$176 per sold tonne** in the September Quarter, compared to \$198 per sold tonne in the June Quarter.
- Operating **EBITDA³ of \$35.2 million** for the September Quarter.
 - BA achieved an operating **EBITDA⁴ of \$20.5 million** resulting in an **operating cash margin of \$48.3 per sold tonne**.
 - The South African operations achieved an operating **EBITDA⁵ of \$14.7 million** resulting in an **operating cash margin of \$9.2 per sold tonne**.
- Dividend payment in September 2023 of **3 cents per share fully franked** for the period ended 30 June 2023. The total payment to shareholders was **\$24 million**.

Comments from Managing Director, Danny McCarthy

"In the September Quarter, the Group achieved total Coal Sales of 2.0Mt, an increase of 15% on the June Quarter.

Whilst there was further softening in the thermal coal market, overall pricing remained resilient, and BA achieved \$176 per sold tonne.

*In South Africa the additional mining area at New Clydesdale Colliery (**NCC**) is nearing finalisation and compared to the June Quarter we are seeing improved production and resultant coal sales from the colliery. North Block Complex (**NBC**) continues to deliver its domestic contract quantities.*

Following the recent dividend payment to shareholders of \$24 million in September 2023, the Company has paid \$268 million to shareholders in the last 13 months.

The total dividend returned for the 12-month period ended 30 June 2023 totalled 23.5 cents per share, representing approximately 72% of NPAT⁶.

The Board continues to maintain its commitment to return dividends to shareholders when considered appropriate in accordance with the Company's dividend policy. The Board has decided there will be no dividend declared for the three months ended 30 September 2023 to ensure a strong capital base and liquidity are maintained at this time.

The Company looks forward to achieving a solid production result during the remaining 9 months of FY2024."



SAFETY

Group safety performance for the September Quarter remained consistent with the June Quarter. The lost time injury frequency rate (**LTIFR**) and total recordable injury frequency rate (**TRIFR**) remained steady at 0.7 and 1.7 respectively for employees and contractors.

Management remains focused on delivering exceptional safety outcomes and whilst we strive for zero harm, the overall safety performance of the Group remains well below industry average and that of our peers.

PRODUCTION AND SALES RESULTS

Total coal sales for the September Quarter increased on a combined basis principally due to higher coal sales achieved within the South African operations.

BA experienced production challenges and recorded total coal sales of 426kt, a result 8% lower compared to the June Quarter, however had closing product stock on hand of 70kt, of which 64kt was at the port. The full year forecast remains at approximately 2 million tonnes of coal sales.

TOTAL TONNES¹ (CONTINUING OPERATIONS)

	SEPTEMBER QUARTER			JUNE QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	426	-	426	466	-	466
South Africa	237	1,361	1,598	301	999	1,300
Total	663	1,361	2,024	767	999	1,766

EQUITY TONNES² (CONTINUING OPERATIONS)

	SEPTEMBER QUARTER			JUNE QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	426	-	426	466	-	466
South Africa	116	667	783	147	490	637
Total	542	667	1,209	613	490	1,103



OPERATIONS

AUSTRALIA BUSINESS UNIT

Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2023 QTR	Sept 2022 QTR	Change %	Sept 2023 QTR	June 2023 QTR	Change %
ROM Coal Production	482	661	(27%)	482	671	(28%)
Saleable Coal	399	466	(14%)	399	488	(18%)
Coal Sales	426	452	(6%)	426	466	(9%)
Inventory (ROM)	-	98	(100%)	-	76	(100%)
Inventory (Saleable)	70	36	95%	70	95	(27%)

The Blair Athol operation performed relatively well in the September Quarter; however, some challenging mining conditions experienced during the month of September impacted production. The Blair Athol management team has confirmed the mine remains on track to achieve its overall production targets for the full financial year, including coal sales of approximately 2 million tonnes.

The logistics network in Queensland seems to have recovered from the heavy rains experienced earlier in the year and train allocations have now returned to standard delivery terms.

On 3 July 2023 the BA rehabilitation financial assurance was reduced by the Queensland Government Department of Environment and Science from \$66.9 million to \$58.2 million. This resulted in restricted cash reducing by \$8.7 million and funds returned to TerraCom in the September Quarter.

SOUTH AFRICA BUSINESS UNIT

The South African operations delivered a relative strong operational result for the September Quarter with both New Clydesdale Colliery (**NCC**) and North Block Complex (**NBC**) exceeding forecast saleable production and sales volumes.

Thousands of tonnes (kt)	Sept 2023 QTR	Sept 2022 QTR	Change %	Sept 2023 QTR	June 2023 QTR	Change %
ROM Coal Production	1,973	2,592	(24%)	1,973	2,159	(9%)
Saleable Coal	1,558	1,820	(14%)	1,558	1,338	16%
Coal Sales	1,598	1,921	(17%)	1,598	1,300	23%
Inventory (ROM)	222	287	(23%)	222	329	(33%)
Inventory (Saleable)	151	235	(36%)	151	229	(34%)



New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2023 QTR	Sept 2022 QTR	Change %	Sept 2023 QTR	June 2023 QTR	Change %
ROM Coal Production	853	1,059	(19%)	853	938	(9%)
Saleable Coal	602	668	(10%)	602	578	4%
Coal Sales	664	692	(4%)	664	569	17%
Inventory (ROM)	78	132	(41%)	78	128	(39%)
Inventory (Saleable)	127	133	(5%)	127	145	(12%)

Despite challenges continuing as the operation moves into new mining areas, NCC had a strong quarter with improvements in both saleable production and coal sales on results achieved in the June Quarter by 4% and 17% respectively.

The colliery has been maintaining momentum with respect to Eskom deliveries and total domestic coal sales achieved for the September Quarter totalled 529kt, a 22% improved result from the June Quarter. Export coal sales were consistent at 135kt, compared to 137kt achieved in the June Quarter.

North Block Complex (NBC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2023 QTR	Sept 2022 QTR	Change %	Sept 2023 QTR	June 2023 QTR	Change %
ROM Coal Production	1,120	1,229	(9%)	1,120	1,221	(8%)
Saleable Coal	956	871	10%	956	761	26%
Coal Sales	934	930	0%	934	731	28%
Inventory (ROM)	144	145	(1%)	144	200	(28%)
Inventory (Saleable)	24	51	(53%)	24	84	(72%)

ROM coal production for NBC was 1,120kt, a 12% decrease on the June Quarter. Even though ROM production was down, NBC achieved strong saleable coal production of 956kt, a 26% improvement on the results achieved in the June Quarter of 761kt.

Total export coal sales for the September Quarter were 102kt, a decrease of 61kt from the June Quarter, or 37%. Unfortunately, there has been no improvement to logistics constraints in South Africa and alternate supply chain methods (trucking) continue to be used as an alternate for NBC export coal sales.

Deliveries to Eskom were substantial at 832kt for the September Quarter, a result 46% greater than the 568kt achieved in the June Quarter.



Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2023 QTR	Sept 2022 QTR	Change %	Sept 2023 QTR	June 2023 QTR	Change %
ROM Coal Production	-	304	(100%)	-	-	-
Saleable Coal	-	281	(100%)	-	-	-
Coal Sales	-	299	(100%)	-	-	-
Inventory (ROM)	-	10	(100%)	-	-	-
Inventory (Saleable)	-	51	(100%)	-	-	-

As previously outlined to shareholders, the Eskom Coal Supply Agreement (**CSA**) for the Ubuntu colliery concluded on 31 December 2022 resulting in the colliery officially moving into care and maintenance during February 2023.

Despite the CSA not being renewed and the mine being placed on care and maintenance, the colliery continues to explore other coal sales opportunities.

FINANCIAL PERFORMANCE

The operating EBITDA³ from the Australian and South African Business Units (including other equity holders) for the September Quarter and prior quarter is as follows:

	Operating EBITDA ³ (AUD \$million)		Operating EBITDA ³ (AUD\$ / Sold Tonne)	
	Sept 2023 Quarter	June 2023 Quarter	Sept 2023 Quarter	June 2023 Quarter
Australia	20.5	43.8	48.3	94.1
South Africa	14.7	11.0	9.2	8.4
Group	35.2	54.8		

There was a continued softening of export coal prices during the September Quarter, and coupled with reduced coal sales in Australia, the operating EBITDA³ for the September Quarter was \$35.2 million, a reduction of 36% compared to the June Quarter.

Australian Financial Performance

Financial Performance Summary ⁷	July 2023 to Sept 2023 A\$ million Total	Apr 2023 to Jun 2023 A\$ million Total	July 2023 to Sept 2023 A\$ per Sold Tonne	Apr 2023 to Jun 2023 A\$ per Sold Tonne
Revenue	74.8	92.0	175.7	197.6
Costs	(54.3)	(48.2)	(127.4)	(103.5)
Operating EBITDA ⁴	20.5	43.8	48.3	94.1

Blair Athol costs per tonne for Q1 FY2024 have been impacted by reduced coal sales on a year-to-date basis and are currently sitting at \$127.4 per tonne. Cost containment remains a continued focus for management at Blair Athol and assessing cost saving initiatives is an integral part of the business and we maintain a cost-conscious approach.



South Africa Financial Performance

Financial Performance Summary ⁸	July 2023 to Sept 2023 A\$ million Total	Apr 2023 to Jun 2023 A\$ million Total	July 2023 to Sept 2023 A\$ per Sold Tonne	Apr 2023 to Jun 2023 A\$ per Sold Tonne
Revenue	91.6	83.4	57.3	64.2
Costs	(76.9)	(72.4)	(48.1)	(55.8)
Operating EBITDA ⁵	14.7	11.0	9.2	8.4

Operating EBITDA⁵ for the South African operations for the 3 months to 30 September 2023 was \$14.7 million, a result 33% improved on the June Quarter.

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%.

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. **NPAT** – Attributable to TerraCom and based on FY2023 Audited Financial Statements released to the ASX on 31 August 2023.
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.



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

* Tenement relinquished following non-renewal on expiry date during the financial year ended 30 June 2023

This announcement has been approved by the board for release.

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About TerraCom Limited

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

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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