

ASX Announcement

27 July 2023

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

PRODUCTION HIGHLIGHTS

- In the June Quarter the Company achieved:
 - Total coal sales¹** of 1.8Mt.
 - Total Equity coal sales²** of 1.1Mt.
- The Blair Athol (**BA**) operation recovered well from the significant regional rain events experienced during the previous quarter and delivered total coal sales of 466kt – representing a 23% improvement quarter on quarter.
- For the 12 months ended 30 June 2023 (**FY2023**), BA delivered total coal sales of **1.8Mt**, a result in line with guidance.
- Total coal sales for FY2023 of **8Mt** and equity coal sales of **4.8Mt**.
- In the first 20 days in July 2023, BA has achieved coal sales of 154kt.

FINANCIAL HIGHLIGHTS

- BA achieved an average coal price of **\$198 per sold tonne** in the June Quarter and \$361 per tonne for FY2023.
- Operating **EBITDA³ of \$55 million** for the June Quarter.
 - BA achieved an operating **EBITDA⁴ of \$44 million** resulting in an **operating cash margin of \$94.1 per sold tonne**.
 - The South African operations achieved an operating **EBITDA⁵ of \$11 million** resulting in an **operating cash margin of \$8.4 per sold tonne**.
- Operating **EBITDA³ of \$473 million** for FY2023 (attributable to TerraCom: \$408 million).
- Closing cash at bank on 30 June 2023 of **\$51 million⁶**, excluding Restricted Cash of \$67 million.
- Dividend payment in June 2023 of **3 cents per share fully franked** for the period ended 31 March 2023. The total payment to shareholders was **\$24 million**.
- Combined with the dividend paid for the quarter ended 30 September 2022 and the quarter ended 31 December 2022, the total dividend return for the 9-month period ended 31 March 2023 was 20.5 cents fully franked, representing approximately 73% of NPAT⁷.
- On 3 July 2023 (subsequent to quarter end) the BA rehabilitation financial assurance was reduced by the Queensland Government Department of Environment and Science from \$66.9 million to \$58.2 million.

Comments from Managing Director, Danny McCarthy

"Relative to the March Quarter, production in the June Quarter was stronger demonstrating the operational recovery following significant regional rainfall impacting the business. Despite the continued softening of thermal coal prices, the combined operating EBITDA result for both the Australian and South African operations was \$55 million.

The Blair Athol operation performed well following the multiple rain events during the previous quarter and the ongoing delays within the logistics network in Queensland negatively impacted scheduling. As a result, coal sales achieved were 466kt, and whilst the result was a 23% improvement from the March Quarter, it was less than originally planned.

*Our South African operations encountered a number of challenges during the June Quarter resulting in lower delivered domestic and export sales than planned. The additional mining area at New Clydesdale Colliery (**NCC**) is coming along well and we look forward to improved production, and resultant sales, from NCC over the coming months.*

Following the recent dividend payment to shareholders of \$24 million in June 2023, the Company has returned \$244 million to shareholders in FY2023.

In line with the Company's dividend policy, the next dividend is expected to be declared in August 2023 and paid in September 2023."



SAFETY

Group safety performance for the June Quarter was commendable with the lost time injury frequency rate (**LTIFR**) remaining stable at 0.6. The group safety outcome for the full year ending 30 June 2023 was a total recordable injury frequency rate (**TRIFR**) of 1.6 for employees and contractors. This result is a 30% improvement on the FY2022 TRIFR.

PRODUCTION AND SALES RESULTS

Total coal sales for the June Quarter decreased on a combined basis predominately due to lower-than-expected coal sales achieved within the South African operations. High unseasonal widespread rainfall and ongoing logistics constraints continue to affect export coal sales with train and truck availability consistently impacted.

BA recovered well from the regional heavy rainfall experienced during the March Quarter and achieved total coal sales of 466 kt, a 23% improvement compared to the March Quarter.

TOTAL TONNES¹ (CONTINUING OPERATIONS)

	JUNE QUARTER			MARCH QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	466	-	466	380	-	380
South Africa	301	999	1,300	344	1,115	1,459
Total	767	999	1,766	724	1,115	1,839

EQUITY TONNES² (CONTINUING OPERATIONS)

	JUNE QUARTER			MARCH QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	466	-	466	380	-	380
South Africa	147	490	637	169	547	716
Total	613	490	1,103	549	547	1,096

YEAR TO DATE OPERATIONAL RESULTS

	TOTAL TONNES ¹			EQUITY TONNES ²		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	1,797	-	1,797	1,797	-	1,797
South Africa	1,508	4,695	6,203	739	2,304	3,043
Total	3,305	4,695	8,000	2,536	2,304	4,840



OPERATIONS

AUSTRALIA BUSINESS UNIT

Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	QUARTER ENDED				YEAR TO DATE		
	June 2023 QTR	March 2023 QTR	Change %	June 2022 Qtr	June 2023 YTD	June 2022 YTD	Change %
ROM Coal Production	671	539	25%	716	2,473	2,780	(11%)
Saleable Coal	488	407	20%	594	1,868	2,285	(18%)
Coal Sales	466	380	23%	624	1,797	2,303	(22%)
Inventory (ROM)	76	59	30%	56	76	56	36%
Inventory (Saleable)	95	74	29%	31	95	31	>100%

The Blair Athol operation performed well in the June Quarter following challenging mining conditions experienced in the March Quarter as a result of adverse weather conditions. Rainfall during the June Quarter was limited and allowed the operation to recover, delivering improved ROM production of 671kt, a 25% increase on the March Quarter.

Heavy rains experienced earlier in the year continued to put pressure on the logistics network in Queensland throughout the June Quarter, and TerraCom, like all other producers in the region, faced ongoing delays. Blair Athol scheduling was negatively impacted, and this resulted in the Company revising its total forecast coal sales for the full financial year ending 30 June 2023 from 2.1Mt to 1.8Mt. Closing ROM stock at the mine as at 30 June 2023 was 76kt and saleable coal was 95kt (including 66kt at the port). In the first 20 days in July 2023, BA has achieved coal sales of 154kt.

On 3 July 2023 (subsequent to quarter end) 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 will result in Restricted Cash being reduced by \$8.7 million and funds returned to TerraCom in the September 2023 Quarter.

SOUTH AFRICA BUSINESS UNIT

The South African operations faced a number of production challenges associated with mine planning during the June Quarter and logistics issues continued. The group continues to look at ways to maximise opportunities with export sales.

Thousands of tonnes (kt)	QUARTER ENDED				YEAR TO DATE		
	Jun 2023 QTR	Mar 2023 QTR	Change %	Jun 2022 QTR	June 2023 YTD	June 2022 YTD	Change %
ROM Coal Production	2,159	1,976	9%	2,653	8,996	9,813	(8%)
Saleable Coal	1,339	1,554	(14%)	1,647	6,309	6,541	(4%)
Coal Sales	1,300	1,459	(11%)	1,568	6,203	6,658	(7%)
Inventory (ROM)	328	187	76%	427	328	427	(23%)
Inventory (Saleable)	229	175	30%	278	229	278	(18%)



New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

	QUARTER ENDED				YEAR TO DATE		
Thousands of tonnes (kt)	June 2023 QTR	March 2023 QTR	Change %	June 2022 Qtr	June 2023 YTD	June 2022 YTD	Change %
ROM Coal Production	938	733	28%	1,015	3,594	4,086	(12%)
Saleable Coal	578	548	5%	549	2,373	2,531	(6%)
Coal Sales	569	531	7%	488	2,437	2,347	4%
Inventory (ROM)	128	43	>100%	139	128	139	(8%)
Inventory (Saleable)	145	118	23%	131	145	131	11%

Despite challenges being experienced as the operation moves into new mining areas, NCC had a relatively solid quarter with both ROM Coal Production and Coal Sales improved on results achieved in the March Quarter by 28% and 5% respectively.

Total coal sales were 569kt, and despite ongoing logistics constraints the colliery managed consistent export sales of 137kt (145kt achieved in the March Quarter). Total domestic coal sales to Eskom were 432kt.

North Block Complex (NBC) – 49% EQUITY INTEREST

	QUARTER ENDED				YEAR TO DATE		
Thousands of tonnes (kt)	June 2023 QTR	March 2023 QTR	Change %	June 2022 Qtr	June 2023 YTD	June 2022 YTD	Change %
ROM Coal Production	1,221	1,089	12%	1,166	4,571	4,286	7%
Saleable Coal	761	749	2%	832	3,134	3,026	4%
Coal Sales	731	786	(7%)	751	3,192	3,099	3%
Inventory (ROM)	200	144	39%	148	200	148	35%
Inventory (Saleable)	84	57	47%	116	84	116	(28%)

ROM coal production for NBC was 1,221kt, a consistent result for the colliery and a 12% increase on the March Quarter. Saleable coal production of 761kt was only 2% above the previous quarter despite the 12% increase in ROM coal production. The difference reflects the portion of ROM coal mined in the month of June which effectively added to coal stocks at the end of the quarter.

NBC achieved total export coal sales of 163kt for the June Quarter, a decrease of 36kt from the March Quarter, or 18%. Of the total export sales, 40kt was sold as RB4 product, the new market established in the September Quarter. As previously advised, the Company continues to use alternate supply chain methods (trucking) due to ongoing constraints with the rail system in South Africa.

Deliveries to Eskom slowed marginally compared to the March Quarter with the colliery achieving total domestic coal sales of 568kt, a decrease of 19kt.



Ubuntu Colliery – 48.9% EQUITY INTEREST

	QUARTER ENDED				YEAR TO DATE		
Thousands of tonnes (kt)	June 2023 QTR	March 2023 QTR	Change %	June 2022 Qtr	June 2023 YTD	June 2022 YTD	Change %
ROM Coal Production	-	154	(100%)	472	832	1,441	(42%)
Saleable Coal	-	257	(100%)	266	803	984	(18%)
Coal Sales	-	141	(100%)	329	573	1,211	(53%)
Inventory (ROM)	-	-	-	140	-	140	(100%)
Inventory (Saleable)	-	-	-	31	-	31	(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 June Quarter and prior quarter is as follows:

	Operating EBITDA ³ (AUD \$million)		Operating EBITDA ³ (AUD\$ / Sold Tonne)	
	June 2023 Quarter	March 2023 Quarter	June 2023 Quarter	March 2023 Quarter
Australia	43.8	68.1	94.1	179.1
South Africa	11.0	19.9	8.4	13.6
Group	54.8	88.0		

There was a continued softening of export coal prices during the June Quarter, and coupled with reduced sales in South Africa, the operating EBITDA³ position for the June Quarter was \$54.8 million, a reduction of 37% compared to the March Quarter.



Australian Financial Performance

Financial Performance Summary ⁸	Apr 2023 to Jun 2023 A\$ million Total	Jan 2023 to Mar 2023 A\$ million Total	Apr 2023 to Jun 2023 A\$ per Sold Tonne	Jan 2023 to Mar 2023 A\$ per Sold Tonne
Revenue	92.0	129.4	197.6	340.2
Costs – Royalty	(8.8)	(23.7)	(19.0)	(62.4)
Costs – Diesel & Electricity	(4.8)	(4.9)	(10.3)	(12.8)
Costs – Other Operating Costs	(34.6)	(32.7)	(74.2)	(85.9)
Costs – Total	(48.2)	(61.3)	(103.5)	(161.1)
Operating EBITDA⁴	43.8	68.1	94.1	179.1

The BA mine delivered an operating EBITDA result of \$43.8 million for the June Quarter, representing \$94.1 per tonne. Royalty per tonne incurred was \$19.0 per tonne, a decrease of \$43.4 per tonne, reflective of the lower coal sales revenue achieved.

With softening coal prices and inflation pressures being experienced by the mining industry, cost containment remains a continued focus for management at Blair Athol. Assessing cost saving initiatives is an integral part of the business and we maintain a cost-conscious approach. One specific example of a cost improvement initiative is the change in operating method for production drilling. Following detailed analysis, BA has commenced the process to move its production drilling to an inhouse model during Q2 FY2024 which will result in immediate cost savings to the business.

South Africa Financial Performance

Financial Performance Summary ⁹	Apr 2023 to Jun 2023 A\$ million Total	Jan 2023 to Mar 2023 A\$ million Total	Apr 2023 to Jun 2023 A\$ per Sold Tonne	Jan 2023 to Mar 2023 A\$ per Sold Tonne
Revenue	83.4	99.6	64.2	68.2
Costs	(72.4)	(79.7)	(55.7)	(54.6)
Operating EBITDA⁵	11.0	19.9	8.4	13.6

Operating EBITDA⁵ for the South African operations for the 3 months to 30 June 2023 was \$11.0 million or \$8.4 per tonne.

Compared to the March Quarter there is lower total revenue and revenue per sold tonne, which is driven by a greater proportion of domestic coal sales and reduced export pricing quarter on 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. **Cash at Bank** – amount includes \$44 million cash held by TerraCom Limited, as parent entity, cash held by all Australian subsidiaries and cash held by Universal Coal Holdings South Africa (Pty) Ltd (wholly owned subsidiary of TerraCom), plus \$7 million cash attributable to TerraCom from other South African subsidiaries based on the equity interest held by TerraCom. This number does not represent the cash amount to be reported in accordance with IFRS from a consolidation point of view.
7. **NPAT** – Attributable to TerraCom and based on management accounts, noting management accounts are not audited.
8. **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.
9. **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

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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