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# QUARTERLY REPORT

## JULY TO SEPTEMBER 2020 (Q1 FY21)

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER) presents its quarterly production activities report for the 3 months ending 30 September 2020 (**September Quarter**).

## Q1 HIGHLIGHTS

- ✓ COVID-19 management plans continue to be implemented across the group in compliance with government guidelines and industry wide protocols, to keep our workforce, contractors, suppliers and communities safe.
- ✓ The Company successfully transitioned the Blair Athol mine to owner operator effective from 31 July 2020. The transition to owner operator is forecasted to deliver significant savings at Blair Athol with the Free on Board (**FOB**) operating costs forecast to reduce by 17% to AU$59 per tonne. Actual FOB costs for August and September 2020 are in line with this expectation with reported costs being approximately AU$57 per tonne.
- ✓ Performance across all operations has continued to be strong in a challenging market environment and in particular the results from the Company's Blair Athol mine in Queensland, the Company maintains its focus on delivering results.
    - Coal Sales: 2.40 million tonnes in September 2020 quarter, which despite COVID-19 impacts, is in line with the prior corresponding period.
    - Across all operations, the Company is well positioned to achieve managed annual coal sales in excess of 10.2 million tonnes for the full year ending June 2021.
- ✓ Coal stock on hand totalled 1.12 million tonnes as at 30 September 2020, which is equivalent to approximately 6 weeks of the Group's coal sales. This places the Company in a position to be able to capitalise on the inevitable market correction.

## GROUP COAL SALES

| | MANAGED TONNES | | | EQUITY TONNES | | |
|---|---|---|---|---|---|---|
| | **Export (000's)** | **Domestic (000's)** | **Total (000's)** | **Export (000's)** | **Domestic (000's)** | **Total (000's)** |
| Australia | 620 | - | **620** | 620 | - | **620** |
| South Africa | 407 | 1,374 | **1,781** | 199 | 853 | **1,052** |
| **Total** | **1,027** | **1,374** | **2,401** | **819** | **853** | **1,672** |

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# PRODUCTION AND SALES

### *MANAGED TONNES (CONTINUING OPERATIONS)*

| *Thousands of tonnes (kt)* | *Sept 2020* | *Sept 2019 ** | *Change %* | *Sept 2020* | *Jun 2020 ** | *Change %* |
|---|---|---|---|---|---|---|
| *Managed Tonnes (Continuing Operations)* | | | | | | |
| *ROM Coal Production* | 3,617 | 3 551 | 2% | 3,617 | 3,810 | -5% |
| *Saleable Coal* | 2,376 | 2,736 | -13% | 2,391 | 2,661 | -10% |
| *Coal Sales* | 2,401 | 2,665 | -10% | 2,401 | 2,378 | 1% |
| *Inventory (ROM)* | 772 | 313 | 147% | 772 | 739 | 5% |
| *Inventory (Saleable)* | 388 | 330 | 18% | 388 | 342 | 14% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

### *EQUITY TONNES (CONTINUING OPERATIONS)*

| *Thousands of tonnes (kt)* | *Sept 2020* | *Sept 2019 ** | *Change %* | *Sept 2020* | *Jun 2020 ** | *Change %* |
|---|---|---|---|---|---|---|
| *Equity Tonnes (Continuing Operations)* | | | | | | |
| *ROM Coal Production* | 2,286 | 2,314 | -1% | 2,286 | 2,455 | -7% |
| *Saleable Coal* | 1,552 | 1,820 | -14% | 1,552 | 1,719 | -9% |
| *Coal Sales* | 1,672 | 1,831 | -9% | 1,672 | 1,547 | 2% |
| *Inventory (ROM)* | 489 | 222 | 120% | 489 | 494 | -1% |
| *Inventory (Saleable)* | 267 | 251 | 6% | 267 | 257 | 4% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

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# OPERATIONS

## AUSTRALIA

***Blair Athol – 100% Equity Interest***

| *Thousands of tonnes (kt)* | *Sept 2020* | *Sept 2019* | *Change %* | *Sept 2020* | *Jun 2020* | *Change %* |
|---|---|---|---|---|---|---|
| *ROM Coal Production* | 740 | 731 | 1% | 740 | 871 | -15% |
| *Saleable Coal* | 608 | 698 | -13% | 608 | 625 | -3% |
| *Coal Sales* | 620 | 797 | -22% | 620 | 552 | 12% |
| *Inventory (ROM)* | 178 | 62 | 187% | 178 | 195 | -9% |
| *Inventory (Saleable)* | 136 | 165 | -17% | 136 | 160 | -15% |

The Company is pleased with the coal sales achieved for the September Quarter from the Company's Blair Athol Mine in Queensland. The transition to owner operator occurred at the end of July 2020 and despite previous projections for a reduced coal sales production profile of 2Mtpa, the team has outperformed initial expectations. With an enhanced mine plan, optimised workforce numbers and significantly reduced cost base, Blair Athol has achieved an annualised coal sales run rate of 2.45Mtpa for the September Quarter.

A key element to finalising the transition was the purchase of the mobile plant and equipment for the site at a cost of AU$3.2 million. The Mobile Fleet purchased, already onsite and operating at mine, includes the excavators, trucks, dozers and other necessary ancillary equipment. Combined with the already owned Dragline and CHPP, the Company now has the plant and equipment required to achieve its 2 million tonne coal sales profile at the Blair Athol Coal Mine for the 2021 financial year and beyond.

Since taking over the Blair Athol operations as owner operator the Company has identified a number of operational efficiencies and refinements within its mining process which has delivered exceptional results. Compared to the 2020 Financial Year, the Company has reduced annualised coal sales from Blair Athol by only 109,000 tonnes or 4.2% yet at the same time refined the Free on Board (**FOB**) operating cost per tonne resulting in more than a 17% reduction. Actual FOB costs for August and September are in line with this expectation with reported costs being approximately AU$57 per tonne.

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## SOUTH AFRICA

### *Kangala Colliery – 70.5% Equity Interest*

| Thousands of tonnes (kt) | Sept 2020 | Sept 2019 * | Change % | Sept 2020 | Jun 2020 * | Change % |
|---|---|---|---|---|---|---|
| ROM Coal Production | 635 | 937 | -32% | 635 | 671 | -5% |
| Saleable Coal | 363 | 575 | -36% | 363 | 447 | -18% |
| Coal Sales | 431 | 551 | -22% | 431 | 465 | -7% |
| Inventory (ROM) | 94 | 173 | -46% | 94 | 153 | -39% |
| Inventory (Saleable) | 31 | 25 | 24% | 31 | 36 | -13% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

Decrease in production and coal sales for the quarter was due to an 11-day contractor strike during September, resulting in elements of mining, production and logistics halted during this period. Sales volumes restrictions implemented by Eskom during the quarter resulted in the Colliery delivering 70Kt less than committed Eskom volumes for the quarter.

### *New Clydesdale Colliery (NCC) – 49.0% Equity Interest*

| Thousands of tonnes (kt) | Sept 2020 | Sept 2019 * | Change % | Sept 2020 | Jun 2020 * | Change % |
|---|---|---|---|---|---|---|
| ROM Coal Production | 1,101 | 852 | 29% | 1,101 | 1,048 | 5% |
| Saleable Coal | 627 | 766 | -18% | 627 | 717 | -13% |
| Coal Sales | 583 | 678 | -14% | 583 | 653 | -10% |
| Inventory (ROM) | 86 | 53 | 62% | 86 | 84 | 3% |
| Inventory (Saleable) | 73 | 51 | 44% | 73 | 11 | 568% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

Coal sales in line with prior quarter (June 2020). There was a slight decrease in sales volume during September 2020 due Eskom sales volume restrictions. However, post quarter end there has been no similar delays. The reduction in sales is presented in the increase in saleable product on site at the end of September 2020.

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***North Block Complex (NBC) – 49.0% Equity Interest***

| Thousands of tonnes (kt) | Sept 2020 | Sept 2019 * | Change % | Sept 2020 | Jun 2020 * | Change % |
|---|---|---|---|---|---|---|
| ROM Coal Production | 794 | 1,030 | -23% | 794 | 919 | -14% |
| Saleable Coal | 520 | 697 | -25% | 520 | 601 | -14% |
| Coal Sales | 550 | 639 | -14% | 550 | 508 | 8% |
| Inventory (ROM) | 272 | 24 | 1036% | 272 | 221 | 23% |
| Inventory (Saleable) | 103 | 88 | 17% | 103 | 128 | -19% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

The ROM production at NBC reduced by 14% compared to the previous quarter due to the current levels of stock carried at the colliery being at maximum capacity due to the June 2020 Eskom contract delay, as communicated in the June 2020 quarterly report.

During the period NBC completed new construction and modifications to an existing crush and screen circuit. These works have been completed to facilitate both the higher production of the export quality coal from NBC, via the Paardeplaats project, and to supply the higher grade Eskom product as specified within the Eskom coal supply agreement signed in July 2020. In addition, new stockpiling facilities for domestic coal were added to lower product re-handling and therefore increase efficiencies.

***Ubuntu Colliery – 48.9% Interest***

| Thousands of tonnes (kt) | Sept 2020 | Sept 2019 * | Change % | Sept 2020 | Jun 2020 * | Change % |
|---|---|---|---|---|---|---|
| ROM Coal Production | 347 | - | 100% | 347 | 300 | 16% |
| Saleable Coal | 258 | - | 100% | 258 | 270 | -5% |
| Coal Sales | 217 | - | 100% | 217 | 201 | 7% |
| Inventory (ROM) | 142 | - | 100% | 142 | 85 | 67% |
| Inventory (Saleable) | 44 | - | 100% | 44 | 6 | 635% |

** Comparative periods assume 100% ownership of Universal Coal Plc*

The Ubuntu Colliery was subject to sales volume restrictions implemented by Eskom for both July and August but successfully delivered 91Kt of coal during the September month.

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### SAFETY AND COVID-19

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

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

The Group is managing the many risks that are arising from COVID-19. Risk mitigation strategies implemented including providing for workplaces to allow social distancing, limited non-business critical contractors at each mine, temperature checks on entry into the mine, and increased cleaning and sanitation processes.
As the COVID-19 management practices evolve, the Group is refining its measures to keep our workforce, their families and the communities in which we operate safe. Our focus is maintaining operations, in compliance with the relevant regulations and protocols in the jurisdictions in which we operate.

## PROJECTS AND BUSINESS DEVELOPMENT

### ACQUISITION OF ANGLO AFRICAN MINERALS PLC

Due diligence on Anglo African Minerals plc has been significantly hampered over the last number of months by international travel restrictions brought about by the impacts of COVID-19. However, as restrictions are now easing, members of the Company's management team will be visiting the site in Guinea in the coming weeks and will meet with potential contractors and government officials to progress the project.

### ELOFF LEASE (ADJOINS KANGALA MINE, SOUTH AFRICA) – *49.0% EQUITY INTEREST*

The Eloff mining lease runs contiguously from the existing Kangala mine, and provides an opportunity for the Company to complete a life of mine extension for Kangala, as well as an upscale of the entire operation.

The Eloff Mining Right and Environmental Authorisation and Integrated Water Use License has been formally granted by the DMR and the Department of Environmental Affairs in South Africa respectively, however the Company is aware of an appeal lodged against the granting of the Environmental Authorisation which is currently under review by the competent authority. The Company is confident that this appeal will be resolved before the end of December 2020 and that production is expected to commence in Q3 FY21.

## CORPORATE

### REFINANCE & GROWTH BOND PROGRAM

As announced to the ASX on 11 September 2020, the Company is moving forward with its debt refinance program with expected completion on or around 30 November 2020. Once finalised, the debt refinance ensures that TerraCom can maintain the momentum of its global growth initiatives and further strengthen its balance sheet placing the Company in a stronger financial position by supporting working capital to fund existing projects and planned acquisitions.

In addition to the debt refinance program, the Company also announced to the ASX on 20 October 2020, that it is currently looking at an additional $50 million - $70 million growth bond program that will be available to both retail and wholesale investors. Public documents are currently being prepared with respect to the growth bond program and will be available to shareholders (and other investors) in due course.

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The Company has appointed ASX listed cashwerkz (ASX: CWZ), trading as Bond Income, to facilitate the wholesale part of the program. Shareholders (or other investors) interested in the program are encouraged to register their interest at bond@terracomresources.com. Persons who register their interest will be notified as soon as any offer document is released by the Company regarding any retail bond, or other offer. Shareholders (or other investors) should note that this announcement does not constitute an offer of securities. Any offer of retail bonds will be made under a prospectus which will be lodged with ASIC and any applications for retail bonds will need to be made under such a prospectus.

## TERRACOM BOARD AND MANAGEMENT CHANGES

As part of the Company's transition to a mid-tier bulk commodities business the Board and management team has been recently restructured with the following changes occurring during the September Quarter:

### Board Changes

1. Resignation of Mr James (Jim) Soorley. Mr Soorley resigned 13 July 2020.
2. Appointment of Mr Craig Lyons. Mr Lyons was appointed 14 July 2020, resides in South Africa and has been appointed to assist the Company with the newly acquired South African operations.
3. Resignation of Mr Paul Anderson. Mr Anderson resigned on 3 August 2020.
4. Resignation of Mr Craig Wallace. Mr Wallace resigned on 22 August 2020.
5. Appointment of Mr Shane Kyriakou. Mr Kyriakou was appointed 7 September 2020. Shane is a lawyer with more than twenty years of experience in the energy and resources sector. As a corporate partner at global law firms Herbert Smith Freehills and Ashurst, Shane's experience covers mergers and acquisitions, greenfield developments and expansions, fundraising, financing and general corporate advisory.

### Management Changes

1. A number of executive management changes were implemented, effective 1 September 2020, see current roles below:
   - Nathan Boom – Chief Commercial Officer
   - Celeste van Tonder – Chief Financial Officer
   - Megan Etcell – Company Secretary, Executive General Manager Corporate Affairs
2. Appointment of Mr James Lumley on 25 September 2020 to lead the Company's commodity diversification and development of bauxite opportunities in Guinea.

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# MINING TENEMENTS HELD AT THE END OF THE QUARTER

| Operation / Project | Tenement | Interest at beginning of quarter | Interest at end of quarter | Location | Commodity |
|---|---|---|---|---|---|
| **Kangala** | MP30/5/1/2/2/429MR<br>MP30/5/1/1/2/641PR<br>Mining Right application<br>MP30/5/1/1/2/10179MR | 70.5% | 70.5% | South Africa | 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<br>MP30/5/1/1/2/19MR (10068MR)<br>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 |
| **Arnot South** | Prospecting Right: MP30/5/1/1/2/360PR | 49.0% | 49.0% | South Africa | Coal |
| **Berenice** | Prospecting Right (PR) LP30/5/1/1/2/376PR<br>Mining Right: LP30/5/1/1/2/10131MR – under application | 50% | 50% | South Africa | Coal |
| **Cygnus** | LP30/5/1/1/2/1276PR<br>Mining Right application LP30/5/1/1/2/10169MR | 50% | 50% | South Africa | Coal |
| **Blair Athol** | ML1804 | 100% | 100% | Australia | 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 |

| Operation / Project | Tenement | Interest at beginning of quarter | Interest at end of quarter | Location | Commodity |
|---|---|---|---|---|---|
| **Springsure (Springsure)** | EPC1674, MDL3002 | 87% | 90% | Australia | Coal |
| **Springsure (Fernlee)** | EPC1103 | 100% | 100% | Australia | Coal |

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# OTHER

## 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.

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This announcement has been authorised by the Company's Disclosure Committee.

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***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 a global focus on the development of a high yielding diversified asset portfolio for its investors.*

*To learn more about TerraCom visit terracomresources.com.*