



ASX ANNOUNCEMENT

26 October 2021

QUARTERLY REPORT – JULY TO SEPTEMBER 2021

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER) presents its quarterly activities report for the 3 months ending 30 September 2021 (**September Quarter**).

Commenting on the result, Craig Ransley, TerraCom Executive Chairman, said,

"The operating EBITDA¹ result achieved for the September Quarter of A\$58.3 million was excellent. The export coal market remains strong and together with the South African domestic coal demand returning to pre-Covid19 levels, the Company looks forward to continuing to capitalise on market conditions and reduce debt to improve the Company's balance sheet".

Q1 HIGHLIGHTS

- ✓ Record operating EBITDA¹ of A\$58.3 million for the September Quarter.
 - Increasing coal prices resulted in an operating cash margin of A\$101 per tonne being achieved for Blair Athol (**BA**) in the month of September 2021.
 - All three operating mines in South Africa (**SA**) - NBC, NCC and Ubuntu - delivered positive EBITDA for the September Quarter resulting in an EBITDA margin of A\$11.4 per sold tonne.
- ✓ Coal sales for the September Quarter totalled 2.47 million tonnes³, representing annualised managed coal sales of 9.89 million tonnes.
- ✓ BA coal sales forecast for the December 2021 Quarter to be 575,000 tonnes with forecast revenue of A\$224 per tonne² at a forecast operating cash margin of A\$134 per tonne⁴. Blair Athol Operating EBITDA for December 2021 quarter forecast to be A\$77 million.
- ✓ BA coal is fully sold until end January 2022.
- ✓ The new refinance program with current bondholders has now been formally enacted. With a new maturity date of 31 December 2022, the Company will focus on debt extinguishment over the next 15 months.

¹ Non IFRS measure. Based on management accounts. The data presented represents 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines ranges is 49%. The data presented does not include the TerraCom corporate costs.

² Based on forecast market indexes as at 22 October 2021 at an FX of 0.75.

³ The data represents total tonnes and assumes 100% ownership of the South African operations.

⁴ Blair Athol operating cost increase as a result of the increased revenue linked costs (predominantly royalties) and increase in other commodity price driven input costs (predominantly diesel).

SAFETY

SAFETY AND COVID-19

The health and safety of our people is a core value of the business. The wellbeing of our people is a key driver for us, 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 of our operations.

TerraCom implemented a formal HSEC Committee (**Committee**) of the Board from 2 June 2021. The Committee comprises Non-Executive Directors Glen Lewis (Chair) and Shane Kyriakou and Managing Director, Danny McCarthy. The first meeting of the Committee was held at the end of June 2021.

Q1 financial and operational highlights

- The operating EBITDA¹ from the Australian and South African Business Units (including other equity holders) for the September Quarter was as follows:

	EBITDA (AUD \$000's)	EBITDA (AUD\$ / Sold Tonne)
Australia	\$36,428	\$64.5
South Africa	\$21,829	\$11.4

- Operating EBITDA for Australia showed significant growth during the quarter with total revenue increasing by A\$45.5 per tonne or 48% compared to the June 2021 quarter.
- The SA operating EBITDA for the September Quarter was negatively impacted by ongoing constraints being experienced within the export logistics chain. Despite the impact this had on export sales, the SA operating mines all achieved contracted offtake quantities to Eskom with net managed coal sales increasing by 86kt or 5% compared to the June 2021 Quarter.

	MANAGED TONNES ⁵				EQUITY TONNES ⁶			
	Export (000's)	Domestic (000's)	Total (000's)	Annualised (Millions)	Export (000's)	Domestic (000's)	Total (000's)	Annualised (Millions)
Australia	565	-	565	2.26	565	-	565	2.26
South Africa	238	1,670	1,908	7.63	116	818	934	3.74
Total	803	1,670	2,473	9.89	681	818	1,499	6.00

- Year to date managed coal sales represent annualised tonnes of 9.9 million.

PRODUCTION AND SALES

MANAGED TONNES⁵ (CONTINUING OPERATIONS)

	SEPTEMBER 2021 QUARTER			JUNE 2021 QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	565	-	565	510	-	510
South Africa	238	1,670	1,908	396	1,426	1,822
Total	803	1,670	2,473	906	1,426	2,332

EQUITY TONNES⁶ (CONTINUING OPERATIONS)

	SEPTEMBER 2021 QUARTER			JUNE 2021 QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	565	-	565	510	-	510
South Africa	116	818	934	194	698	892
Total	681	818	1,499	704	698	1,402

⁵ The data represents total tonnes and assumes 100% ownership of the South African operations and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines is 49%. The data presented does not include the TerraCom corporate costs.

⁶ The data represents equity tonnes.

OPERATIONS

AUSTRALIA BUSINESS UNIT

Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2021	Sept 2020	Change %	Sept 2021	Jun 2021	Change %
ROM Coal Production	672	740	(9%)	672	619	9%
Saleable Coal	528	608	(13%)	528	534	(1%)
Coal Sales	565	620	(9%)	565	510	11%
Inventory (ROM)	52	178	(71%)	52	19	174%
Inventory (Saleable)	79	136	(42%)	79	123	(36%)

Australian Financial Performance

Financial Performance Summary ⁷	Sept 2021 A\$'000 Total	Sept 2021 A\$ per Sold Tonne
Revenue	78,902	139.6
Costs	(42,474)	(75.1)
EBITDA	36,428	64.5

The strong coal prices have significantly improved the financial results for BA with total revenue per tonne of A\$139.6 being achieved for the September Quarter, an improvement of 48% compared to the June 2021 quarter.

The costs per tonne have been impacted by revenue linked costs, predominantly government royalties. The royalty per tonne incurred in the September Quarter was A\$11.4 per tonne, which represents an increase of A\$7.2 per tonne or 167% compared to FY2021.

Coal sales from BA for the December 2021 quarter are forecast to be approximately 575,000 tonnes, which represents an annualised run rate of 2.3 million tonnes per annum.

Given the exceptional seaborne coal pricing, the Company is forecasting revenue of A\$224 per tonne⁸ in the December 2021 Quarter, which if achieved, will result in

⁷ 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 Based on forecast market indexes as at 22 October 2021 at an FX of 0.75.

forecast operating cash margin of approximately A\$134 per tonne⁹. Based on 575,000 tonnes sold, this should deliver an operating EBITDA of A\$77 million for the December 2021 Quarter.

SOUTH AFRICA BUSINESS UNIT

Managed coal sales from the South African business unit increased by 86kt or 5% compared to June 2021 and all three (3) SA operating mines exceeded contracted offtake quantities to Eskom for the September Quarter.

Delays in export coal sale deliveries continued due to Transnet logistics constraints, despite this all mines continued to deliver additional volumes to Eskom where available.

New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2021	Sept 2020	Change %	Sept 2021	Jun 2021	Change %
ROM Coal Production	1,122	1,101	2%	1,122	619	81%
Saleable Coal	748	627	19%	748	534	40%
Coal Sales	701	583	20%	701	510	37%
Inventory (ROM)	70	86	(19%)	70	19	268%
Inventory (Saleable)	66	73	(10%)	66	123	(46%)

NCC performed well throughout the September Quarter. Operational plant yield continued to improve and a yield of 68% was achieved for the month of September 2021. The colliery achieved 701kt of coal sales during the September Quarter, a 37% improvement compared to the June 2021 quarter.

The export volumes achieved at NCC were below contracted volumes during the September Quarter due to the continued logistics constraints. Despite these issues, which are outside of the Company's control, management continues to explore alternate sale opportunities.

⁹ Blair Athol operating costs increase as a result of the increased revenue linked costs (predominantly royalties) and increase in other commodity price driven input costs (predominantly diesel).

North Block Complex (NBC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2021	Sept 2020	Change %	Sept 2021	Jun 2021	Change %
ROM Coal Production	1,154	794	45%	1,154	1,140	1%
Saleable Coal	919	520	77%	919	781	18%
Coal Sales	870	550	58%	871	908	(4%)
Inventory (ROM)	18	272	(93%)	18	5	260%
Inventory (Saleable)	212	103	106%	212	168	26%

Coal sales and ROM coal production in the September Quarter remained consistent compared to the previous quarter (June 2021). In comparison with the prior corresponding quarter (September 2020), NBC has significantly increased its production capacity to establish itself as a mine site delivering ROM coal production in excess of 4.6 million tonnes per annum.

During the September Quarter a total of 826kt was delivered to the Eskom power stations and 45kt to the export market. Whilst NBC has confirmed itself as a consistent supplier of high-quality export coal to market, like NCC, the plan to increase export supply from the colliery has been hampered by continued logistics constraints.

Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Sept 2021	Sept 2020	Change %	Sept 2021	Jun 2021	Change %
ROM Coal Production	366	347	5%	366	461	(21%)
Saleable Coal	291	258	13%	291	338	(14%)
Coal Sales	337	217	55%	338	428	(21%)
Inventory (ROM)	150	142	6%	150	131	15%
Inventory (Saleable)	38	44	(14%)	38	25	52%

The Ubuntu colliery delivered its full commitment of domestic offtake sales volumes during the September Quarter. The colliery is at stable production and maintains its focus on achieving operational efficiencies and cost saving initiatives to improve the overall financial performance.

South Africa Financial Performance

<i>Financial Performance Summary¹⁰</i>	<i>Sept 2021 A\$'000 Total</i>	<i>Sept 2021 A\$ per Sold Tonne</i>
Revenue	105,096	55.1
Costs (including inventory movement)	(83,267)	(43.7)
EBITDA	21,829	11.4

Operating EBITDA for the SA operations was A\$21.8 million or A\$11.4 per tonne for the September Quarter.

All three operating collieries (NBC, NCC and Ubuntu) delivered positive EBITDA for the September Quarter.

As a result of disciplined operational improvements and refinements as well as the return of domestic coal demand to pre-Covid19 levels, the operating margin per tonne for the SA Operations has increased by A\$2.5 per tonne or 28%, compared to FY2020.

CORPORATE

SALES OUTLOOK

Australia

Blair Athol coal is fully sold until end January 2022.

Blair Athol has contracted export coal sales for the December 2021 Quarter is approximately 575,000 tonnes, representing an annualised run rate of 2.30 million tonnes per annum.

South Africa

Export Sales: Notwithstanding the recent export supply chain constraints, the Company has finalised its plans to increase its SA export sales from both NBC and NCC, which given current strong seaborne pricing, these plans are expected to favourably contribute to the overall EBITDA position. Similar to BA, the export coal produced in SA is sold to both energy markets and non-energy markets (e.g. sponge iron). This provides significant flexibility when marketing the product and should allow the Company to capitalise on numerous opportunities as the export strategy continues to be advanced.

¹⁰ Non IFRS measure. Based on management accounts and includes 100% of the result from the South African operations and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines is 49%.

Domestic Sales: Demand levels for Eskom have stabilised and the Company is forecasting that all South African operations should deliver according to contracted quantities for the financial year ending 30 June 2022.

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 MP30/5/1/1/2/641PR Mining Right application 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 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
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
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
Springsure (Springsure)*	EPC1674, MDL3002	90%	90%	Australia	Coal
Springsure (Fernlee)	EPC1103	100%	100%	Australia	Coal

* MDL3002 expired on 31 July 2021. A renewal application was lodged which is still under review by the Department of Natural Resources, Mines and Energy.



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.

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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