TerraCom Limited
Blair Athol Mine Access Road
Clermont, Queensland, 4721
+61 7 4983 2038
ABN 35 143 533 537

TERRACOM

ASX ANNOUNCEMENT

30 July 2021

QUARTERLY REPORT – APRIL TO JUNE 2021

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

Commenting on the result, Craig Ransley, TerraCom Executive Chairman, said, *"TerraCom achieved a solid increase in operating EBITDA[1] of 63% from the previous quarter demonstrating positive implementation of management changes applied. We are well positioned moving forward to take advantage of the strengthening coal market".*

Q4 HIGHLIGHTS

- ✓ Total group coal sales for the full financial year to 30 June 2021 totalled 9.18 million managed tonnes.
- ✓ South Africa (**SA**) managed coal sales increased by 126kt or 7% compared to the March 2021 quarter and all three (3) SA operating mines exceeded contracted off-take quantities to Eskom for the June Quarter. This result demonstrates South Africa returning to pre-pandemic levels.
- ✓ Operating EBITDA[1] result of A$23.9 million for the June Quarter, an increase of 63% from previous quarter.
    - The Blair Athol (**BA**) EBITDA margin realised in the June Quarter was A$24.0 per sold tonne.
    - All three SA operating mines (NBC, NCC and Ubuntu) delivered positive EBITDA for the quarter. The EBITDA margin realised in the June Quarter was A$6.4 per sold tonne – representing an increase of 68% compared to the March 2021 quarter.
- ✓ Immediate operational improvements delivered at the SA operations following the finalisation of the integration of the South African business into the TerraCom management system.
- ✓ Operating EBITDA[1] for the June Quarter for both BA and SA represent a significant portion of the full year EBITDA, 70% and 43% respectively. The SA result demonstrates the immediate positive impact of the management changes implemented.

[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 mines ranges from 48.9% to 70.5%. The data presented does not include the TerraCom corporate costs.*

TERRACOM

Q4 financial and operational highlights

- The operating EBITDA[1] from the Australian and South African Business Units (including other equity holders) for the June Quarter was as follows:

	Australia	South Africa
EBITDA (AUD $000's)[1]	$12,282	$11,704
EBITDA (AUD$ / Sold Tonne)[1]	$24.0	$6.4

- Operating EBITDA for Australia was reduced by approximately A$5.9 million for the June Quarter due only to a shipment of 83,023 tonnes in the forecast (@ US$105.90/t) scheduled for a June departure being delayed until 1 July 2021, due mainly to supply chain delays. All of the cargo was available at the port on 30 June 2021. Had this shipment sailed in June 2021 the average EBITDA margin for BA would have been A$30.4 per sold tonne.
- The SA operating EBITDA for the June Quarter was negatively impacted by the care and maintenance incurred at the Kangala colliery which amounted to A$1.94 million for the June Quarter. Had these costs not been incurred, the EBITDA would have been A$13.6 million and A$7.5 per sold tonne.
- Average achieved coal pricing for BA during the June Quarter was A$94.1 per sold tonne, representing an increase of 22% from the average price achieved during the March 2021 quarter of A$77.0 per tonne.
- Increase in operating EBITDA of 63% from A$14.6 million in Q3 to A$23.9 million in the June Quarter. The increase in operating EBITDA was driven by increased domestic sales from SA, higher export coal prices being achieved at both BA and SA, and from the generally improved financial performance from the SA operations as a result of cost reductions and business improvement initiatives being implemented.
- Consistent total group coal sales reported for the June Quarter.
- SA managed coal sales increased by 126kt or 7% compared to March 2021 and all three (3) SA operating mines exceeded contracted off-take quantities to Eskom for the June Quarter. This demonstrates the strong and immediate turnaround and signals SA returning to pre-pandemic levels. This is an exceptional result considering Kangala had nil sales in the June Quarter, however recorded 465kt of coal sales in the June 2020 quarter.

	MANAGED TONNES[2]			EQUITY TONNES[3]		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	510	-	**510**	510	-	**510**
South Africa	396	1,426	**1,822**	194	698	**892**
Total	**906**	**1,426**	**2,332**	**704**	**698**	**1,402**

- Total coal sales achieved for the full year were 9.18 million managed tonnes; a strong result given the challenges associated with the ongoing global economic uncertainties.

	MANAGED TONNES[2]			EQUITY TONNES[3]		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	2,247	-	2,247	2,247	-	2,247
South Africa	1,520	5,413	6,933	745	2,849	3,594
Total	**3,767**	**5,413**	**9,180**	**2,992**	**2,849**	**5,841**

PRODUCTION AND SALES

MANAGED TONNES (CONTINUING OPERATIONS)

Thousands of tonnes (kt)	*Jun 2021*	*Jun 2020**	*Change %*	*Jun 2021*	*Mar 2021*	*Change %*
ROM Coal Production	3,267	3,810	(9%)	3,267	3,153	1%
Saleable Coal	2,188	2,661	(16%)	2,188	2,336	(8%)
Coal Sales	2,332	2,378	(3%)	2,332	2,228	(1%)
Inventory (ROM)	198	739	(64%)	198	293	(74%)
Inventory (Saleable)	411	342	20%	411	354	6%

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

[2] *The data represents total tonnes and assumes 100% ownership of the South African operations.*
[3] *The data represents equity tonnes.*

EQUITY TONNES (CONTINUING OPERATIONS)

Thousands of tonnes (kt)	*Jun 2021*	*Jun 2020**	*Change %*	*Jun 2021*	*Mar 2021*	*Change %*
ROM Coal Production	1,917	2,185	(19%)	1,917	1,901	(1%)
Saleable Coal	1,344	1,626	(20%)	1,344	1,434	(7%)
Coal Sales	1,402	1,539	(11%)	1,402	1,397	(17%)
Inventory (ROM)	107	494	(78%)	107	165	(78%)
Inventory (Saleable)	264	257	3%	264	224	18%

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

OPERATIONS

AUSTRALIA BUSINESS UNIT

Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	*Jun 2021*	*Jun 2020*	*Change %*	*Jun 2021*	*Mar 2021*	*Change %*
ROM Coal Production	619	871	(29%)	619	645	(4%)
Saleable Coal	534	625	(15%)	534	514	4%
Coal Sales	510	552	(8%)	510	532	(4%)
Inventory (ROM)	19	195	(90%)	19	42	(55%)
Inventory (Saleable)	123	160	(23%)	123	99	24%

BA coal sales for June 2021 were below forecast due to a delayed ship of 83kt, which sailed on 1 July 2021. The stock was on hand at port on 30 June.

Total coal sales achieved for the full financial year were 2.2Mt. This result was above initial forecasts for the BA mine, following the transition to owner operator at the end of July 2020, which had a coal sales production profile of 2Mtpa.

Australian Financial Performance

Financial Performance Summary[4]	*Jun 2021 A$'000 Total*	*Jun 2021 A$ per Sold Tonne*	*Mar 2021 A$'000 Total*	*Mar 2021 A$ per Sold Tonne*
Revenue	48,038	94.1	40,977	77.0
Costs	(35,756)	(70.1)	(32,736)	(61.5)
EBITDA	12,282	24.0	8,241	15.5

The average achieved coal pricing for BA during the June Quarter was A$94.1 per sold tonne, representing an increase of almost 22% from the average achieved coal price during the March 2021 quarter of A$77.0 per sold tonne.

Operating EBITDA for Australia was reduced by approximately A$5.9 million for the June quarter due mainly to a shipment of 83,023 tonnes in the forecast (@ US$105.90/t) scheduled for a June departure being delayed until 1 July 2021, due only to supply chain delays. All of the cargo was available at the port on 30 June 2021. Had this shipment sailed in June 2021 the average EBITDA margin for Blair Athol would have been A$30.4 per sold tonne.

The cost reductions implemented at BA during the full financial year have been significant. The average Free on Board (**FOB**) operating cost base for the full financial year to 30 June 2021 was A$62.8 per sold tonne, which represents a 15% reduction from the previous full financial year.

Whilst the cost base will naturally rise given the increased royalty fees payable due to increasing export coal pricing, the reduced cost base enables BA to sustain strong margins at long run coal prices and capitalise on market upturns, which are currently being experienced.

SOUTH AFRICA BUSINESS UNIT

SA managed coal sales increased by 126kt or 7% compared to March 2021 and all three (3) SA operating mines exceeded contracted off-take quantities to Eskom for the June Quarter. This result demonstrates South Africa returning to pre-pandemic levels.

Delays in coal sale deliveries were experienced in early July 2021 as a result of the political unrest in SA. Management has taken action to deal with these delays and implemented procedures to minimise impact going forward.

[4] *Non IFRS measure. Based on management accounts.*

Kangala Colliery – 70.5% EQUITY INTEREST

Thousands of tonnes (kt)	Jun 2021	Jun 2020*	Change %	Jun 2021	Mar 2021	Change %
ROM Coal Production	-	671	(100%)	-	126	(100%)
Saleable Coal	-	447	(100%)	-	128	(100%)
Coal Sales	-	465	(100%)	-	157	(100%)
Inventory (ROM)	-	153	(100%)	-	-	(100%)
Inventory (Saleable)	-	36	(100%)	-	-	(100%)

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

The Kangala colliery officially reached the end of its resource life in January 2021. 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 is fully regulated and now awaits the finalisation of the domestic off-take 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 off-take agreement for the Eloff project, the Company has decided to move the colliery into care and maintenance, effective 1 July 2021, to minimise costs. Costs at Kangala have been reduced by approximately 50% from 1 July 2021.

New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Jun 2021	Jun 2020*	Change %	Jun 2021	Mar 2021	Change %
ROM Coal Production	1,054	1,048	0%	1,054	1,019	3%
Saleable Coal	582	717	(19%)	582	619	(6%)
Coal Sales	626	653	(4%)	626	577	8%
Inventory (ROM)	122	84	45%	122	80	53%
Inventory (Saleable)	66	11	>100%	66	50	32%

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

NCC had a very unfortunate incident on 6 May 2021 that led to a fatality of a contractor at the operation. The mine was on stop for 11 days, as a result of the fatality and other community related matters (independent of the colliery), but despite these challenges, the colliery still managed to deliver a strong result for the June Quarter.

Operational plant yield has returned to 62% and the colliery achieved 626kt of coal sales during the June Quarter, a 7% improvement compared to the March 2021 quarter.

The export volumes at NCC remained stable during the June Quarter despite the SA export logistics chain experiencing some unforeseen logistical restrictions which were outside of the Company's control.

North Block Colliery (NBC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Jun 2021	Jun 2020*	Change %	Jun 2021	Mar 2021	Change %
ROM Coal Production	1,140	919	24%	1,140	1,038	10%
Saleable Coal	781	601	30%	781	691	13%
Coal Sales	908	508	79%	908	677	34%
Inventory (ROM)	5	221	(98%)	5	119	(96%)
Inventory (Saleable)	168	128	31%	168	151	11%

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

The previously communicated ramp up of production output to approximately 4Mtpa of saleable coal per annum at NBC has yielded very positive results during the June Quarter. The colliery increased production volumes by 24% from the March quarter and also achieved record breaking sales for the quarter of 908kt, an improvement of 34% compared to the March 2021 quarter.

NBC delivered 713kt to the Eskom power stations and 177kt to the export market for the quarter. NBC has solidified itself as a consistent supplier of high quality export coal to market during FY21 and while the current strong seaborne pricing continues, the colliery is well positioned to deliver favourable EBITDA results going forward.

TERRACOM

Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Jun 2021	Jun 2020*	Change %	Jun 2021	Mar 2021	Change %
ROM Coal Production	461	300	54%	461	325	42%
Saleable Coal	338	271	25%	338	385	(12%)
Coal Sales	428	201	>100%	428	284	51%
Inventory (ROM)	131	85	54%	131	52	>100%
Inventory (Saleable)	25	6	>100%	25	54	(54%)

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

The Ubuntu colliery delivered its full commitment of off-take sales volumes during the June Quarter. The colliery is at stable production and is now focussed on achieving operational efficiencies and cost saving initiatives to improve its financial performance.

South Africa Financial Performance

Financial Performance Summary[5]	Jun 2021 A$'000 Total	Jun 2021 A$ per Sold Tonne	Mar 2021 A$'000 Total	Mar 2021 A$ per Sold Tonne
Revenue	98,890	54.3	100,307	59.1
Costs	(87,186)	(47.9)	(93,865)	(55.3)
EBITDA	11,704	6.4	6,442	3.8

EBITDA for the SA operations increased to A$11.7 million for the June Quarter, an increase of A$5.3 million or 82% compared to the March 2021 quarter.

All three operating collieries (NBC, NCC and Ubuntu) delivered positive EBITDA for the June 2021 quarter. The SA EBITDA margin realised in the June Quarter was A$6.4 per sold tonne – representing an increase of 68% compared to the March 2021 quarter.

The SA operating EBITDA was negatively impacted by the care and maintenance incurred on Kangala Colliery which amounted to A$1.94 million for the June Quarter. Had these costs not been incurred, the EBITDA would have been A$13.6 million and A$7.5 per sold tonne. This result is the evidence of the focus by the SA management team to drive cost savings and operational efficiencies and implement business improvement process to maximise profitability.

[5] *Non IFRS measure. Based on management accounts.*

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, 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.

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.

CORPORATE

SALES OUTLOOK

Australia –Blair Athol has contracted export coal sales for the three months to September 2021 of approximately 640,000 tonnes (representing an annualised run rate of 2.55Mtpa).

South Africa – in early July 2021 the Company experienced some delays in coal sales delivery as a result of the current political unrest in South Africa. Management has taken action to deal with these delays and implemented procedures to minimise impact going forward.

- **Export Sales:** Notwithstanding the recent export supply chain constraints, the Company has solidified 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.

- **Domestic Sales:** Notwithstanding the recent political unrest and ongoing COVID-19 challenges, 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 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

This announcement has been approved by the Board for release.

Craig Ransley
Executive Chairman
P +61 7 4983 2038

Danny McCarthy
Managing Director
P +61 7 4983 2038

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.

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 mines ranges from 48.9% to 70.5%. The operating EBITDA data presented does not include the TerraCom corporate costs.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information contained in this document (or any associated presentation, information or matters). To the maximum extent permitted by law, TerraCom and its related bodies corporate and affiliates, and their respective directors, officers, employees, agents and advisers, disclaim any liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this document or its contents, including any error or omission from, or otherwise in connection with, it.

Certain statements in or in connection with this document contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to capital cost, capacity, future production and grades, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will". By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside TerraCom's control. Accordingly, results, events or outcomes could differ materially from the results, events or outcomes expressed in or implied by the forward- looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, TerraCom undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Nothing in this document constitutes investment, legal or other advice. You must not act on the basis of any matter contained in this document but must make your own independent investigation and assessment of TerraCom and obtain any professional advice you require before making any investment decision based on your investment objectives and financial circumstances. An investment in TerraCom shares is subject to known and unknown risks, some of which are beyond the control of TerraCom. Investors should have careful regard to the risk factors outlined in this document.

This document does not constitute an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any security in any jurisdiction.