TerraCom Limited
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terracomresources.com

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ASX Announcement

Record Half Year Result

TerraCom Limited (TerraCom or the Company) continues to demonstrate significant improvement in its financial and operating performance. The Board is pleased to advise that it reports a **net profit after tax of $3.2 million** for the 6 months ending 31 December 2018 (this represents an increase of $17.4 million when compared to the prior corresponding period of 6 months ending 31 December 2017).

The net profit after tax of $3.2 million, included a number of non-cash items, namely:

- Depreciation and amortisation $12.5 million
- Income tax expense (accounting only, not tax payable) $13.3 million

During the 6 months ending 31 December 2018, TerraCom achieved significant financial and operating improvements across a number of key performance metrics:

	H1 FY19	H1 FY18	Change	H1 FY192	H2 FY18	Change
Production						
ROM Production (Mt)	1.4	0.9	↑ 65%	1.4	1.6	-11%
Saleable Production (Mt)	1.4	0.8	↑ 67%	1.4	1.4	↑ 1%
Coal Sales (Mt)	1.5	0.6	↑ 134%	1.5	1.3	↑ 16%
Financial						
Revenue	171.9	45.2	↑ 280%	171.9	101.9	↑ 69%
Operating EBITDA	52.6	5.5	↑ 850%	52.6	21.6	↑ 143%
Profit after Tax	3.2	(14.2)	↑ 123%	3.2	(4.9)	↑ 165%
Comprehensive Income	6.7	(13.6)	↑ 149%	6.7	(4.9)	↑ 235%
Cash Flows						
Net Cash from Operating Activities	33.1	3.0	↑ 1022%	33.1	31.4	↑ 6%

Business Unit Performance

The financial outcome for the period was driven by superior operating performance of the Blair Athol Coal Mine in Australia:

	Blair Athol	BNU	Corporate	Total
Production				
ROM Production (Mt)	1.2	0.2		1.4
Saleable Production (Mt)	1.1	0.2		1.4
Coal Sales (Mt)	1.2	0.3		1.5
Financial				
Revenue	153.6	18.4		172.0
Operating EBITDA	61.0	(3.9)	(4.5)	52.6
Profit before Tax	55.8	(11.3)	(28.0)	16.5

The Company has achieved a number of milestones within Mongolia recently[1]:

- Following the Chinese New Year and Mongolian Tsagaan Sar festivities, the operating performance of Mongolia has improved. Over the last 10 days (18 February to 27 February) the Company has loaded 487 trucks, translating to 43,182 tonnes of coking coal sold (implying an annualised run rate of 1.6Mtpa).
- The additional coking coal pit (Pit 5) is well into production per forecast as previously announced.
- The introduction of the thick seam thermal coal pit (Pit 7) is on target with production to commence in Quarter 4 2019 FY.

Financing and Interest

The significant improvement in the financial and operating performance of the Company's operations over the last 8 months since 1 July 2018 has allowed the Company to reduce the value of its debt by approximately 12.9% or US$23.6 million.

The Company expects to complete the refinancing of its existing debt by the end of April 2019. The completion of this important milestone will pave the way for a significant interest cost reduction in the Income Statement from this point forward.

Outlook

The Company is on track to achieve its EBITDA guidance for the 2019 financial year of $130 to $150 million.

Chairman Mr Wal King stated "the Company the continuing operational and financial improvement of the company has allowed the auditors to issue an unqualified (clean) opinion for the six months ending 31 December 2018 ... the Company's current cash balance is in excess of $17 million".

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1 – Refer to ASX Announcement on 12 October 2018 for further information and clarification on the BNU production forecast. The material assumptions underpinning the BNU production target in this ASX Announcement continues to apply and has not materially changed. A proportion of the production target is classified as inferred mineral resource. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.