



ASX ANNOUNCEMENT

1 March 2021

HALF YEAR RESULTS FY2021 AND OUTLOOK

Following today's release to the market of the FY2021 Half-Year Report (**Report**), TerraCom Limited (**TerraCom** or **Company**) wishes to provide an overview of the key financial information presented within the Report and update shareholders on the current financial and operational results as well as the refinance program.

Commenting on the financial results for 1H FY2021, TerraCom Chief Executive Officer Danny McCarthy said:

"The current economic environment has been very uncertain and as a consequence the financial result from 1H FY2021 is somewhat disappointing. Strategic actions undertaken throughout the first half of 2020 saw the Company transform via the acquisition of Universal Coal plc and also the consolidation and restructure of our Australian operation.

Blair Athol's transition to owner operator continues to deliver superior operational results. However, the Company has experienced a tough six months with challenges in the South African operations, mainly due to reduced Eskom demand and high rainfall events throughout the operations.

From an operational perspective, the Company is in very good shape and will be able to overcome the uncertainties associated with the ongoing economic challenges. Underpinning this is the sustained reduced cost base at Blair Athol, a newly established export strategy in South Africa and improved export coal pricing, the Company is set to deliver stronger EBITDA results for the remainder of the financial year."

JANUARY 2021 RESULTS SUMMARY AND 2H FY2021 OUTLOOK

January 2021 Financial and Operational Highlights

- EBITDA for the month of January 2021 was AUD\$6.15 million.

	Australia	South Africa	Total
EBITDA (AUD \$000's)	\$4,451	\$1,699	\$6,150

- Average achieved coal pricing for Blair Athol (**BA**) during January 2021 was approximately A\$77 per tonne, representing an increase of approximately 30% from the average price achieved during the six-month period to December 2020 of approximately A\$59 per tonne.

- Consistent total group coal sales reported for January 2021 (and similar results already reported throughout February 2021 month to date).

TOTAL TONNES¹

	January 2021			YTD	Annualised (Millions)
	Export (000's)	Domestic (000's)	Total (000's)	Total (000's)	
Australia	207	-	207	1,411	2.41
South Africa	87	453	540	3,955	6.78
Total	294	453	747	5,366	9.19

2H FY2021 Outlook

- Export thermal coal prices continue to significantly recover.
- Consistent FOB costs for BA at approximately A\$60 per tonne provide a platform to achieve strong margins for the remainder of FY2021 and beyond. Based on average export coal pricing achieved throughout January 2021, the calculated margin is approximately A\$17 per tonne for BA.
- Continued demand, and therefore higher pricing, is being experienced for the Company's higher grade energy coal (i.e product from BA in Queensland, and NBC and NCC in South Africa) so there is strong focus on production to take full advantage of the improved pricing position. In general, production levels have remained consistent with the prior year, despite COVID-19 challenges, and management has mobilised additional mining capacity at NBC to increase production levels and maximise opportunities.
- Given the high quality specifications of export coal product available from the Company's coal mines in both Australia and South Africa, demand from the Company's existing customer base, being Japan, Korea and India, has remained strong. Therefore, it can be seen that the Company has not been impacted by the Chinese import restrictions.
- The demand levels for Eskom have stabilised and the Company is forecasting that all South African operations will be able to deliver according to contracted quantities for the remainder of the year.
- With the execution of the export strategy for the South African operations now complete the Company looks forward to increasing export coal sales from South Africa throughout the remainder of FY2021.

¹ The data represents total tonnes and assumes 100% ownership of Universal Coal plc.

- Forecast annualised total coal sales remains at approximately 9.9Mt, consistent with FY2020.

REFINANCE PROGRAM

Due to the challenging operating environment brought about by COVID-19, ever changing ESG policies of financiers and other major events (including US political turmoil) the Company has experienced delays on completing the refinance program.

Despite the previous delays, the Company is pleased to advise shareholders that formal term sheets have now been received from a number of parties which are being reviewed by management.

Given this recent progress, the Company expects to be in a position to confirm the details of the future refinance program to shareholders by the end of the March 2021 quarter.

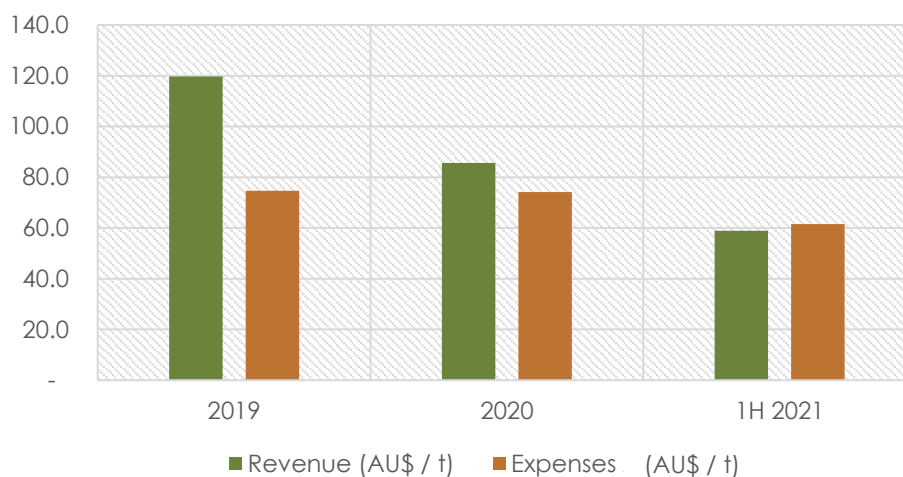
31 DECEMBER 2020 FINANCIAL STATEMENTS – SUMMARY OF RESULTS

Corporate Highlights

Australia

- The Company's BA mine in Clermont, Queensland continues to deliver strong operational results following its transition to owner operator on 31 July 2020.
- Significant reductions in Free on Board (**FOB**) costs have been experienced at BA since the transition to owner operator and at approximately A\$60 per tonne, the Blair Athol mine is in the first quartile of seaborne export FOB operating costs per tonne.
- Compared to the 2020 financial year, the Company has reduced annualised coal sales by only 0.2 million tonnes (or 7%) but proactive costs management has resulted in a 16% reduction in the FOB operating cost per tonne.
- The graph below depicts the past operating performance of Blair Athol.
 - Revenue – had the average revenue per tonne (market pricing outside of the Company's control) achieved in the 2020 financial year been generated during 1H FY2021 then the Company would have recognised additional revenue, and EBITDA, of \$32 million.
 - Expenses – As previously mentioned, operating costs for Blair Athol significantly reduced in 1H FY2021. Given this reduction, the Company incurred \$15 million less costs in 1H FY2021 compared to the 2020 financial year. As the operating cost is controlled by the Company this demonstrates that the Company, during unprecedented global events, has managed what is in its control to maximise value for shareholders.

Blair Athol - Historical Results



South Africa

- The export strategy for the South African operations has been executed. This is a milestone achievement, and the Company looks forward to increasing export coal sales from South Africa, in line with its strategic objectives.

Operational Results Summary²

- The Company achieved an annualised run rate for the 6 months ended December 2020 of 9.23 million tonnes, despite the ongoing market challenges from COVID-19.
- Run of mine production 6.8 million tonnes compared to 7.0 million tonnes in the comparative period.
- Coal sales of 4.6 million tonnes (run rate of 9.2 Mtpa) versus 5.0 million tonnes (run rate of 10.0 Mtpa) achieved during 1H FY20.
- Coal stock inventory on hand of 0.9 million tonnes, representing an equivalent of 2 months of coal sales.

Financial Results Summary

- Revenue from operations, up 19% to A\$190 million.
- EBITDA loss of A\$27.5 million compared to a profit of A\$27.8 million in the first half of FY20.
- Net loss after tax of A\$60.4 million compared to a net loss after tax of A\$9.4 million in the first half of FY20.

² The data represents total tonnes and assumes 100% ownership of Universal Coal plc in the current and comparative period.

Earnings Summary reconciliation to identify non-cash items.

Half-Year
31 Dec 2021
\$M

EBITDA	(\$27.5)
<i>Adjustments (non-cash items)</i>	
<i>Add: Foreign exchange loss</i>	\$6.6
<i>Add: Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd</i>	\$2.4
Re-stated EBITDA	(\$18.5)
Net loss after tax	(\$60.4)
<i>Adjustments (non-cash items)</i>	
<i>Add: Foreign exchange loss</i>	\$6.6
<i>Add: Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd</i>	\$2.4
<i>Add: Finance costs</i>	\$6.5
<i>Add: Depreciation and amortisation</i>	\$12.6
Underlying net loss after tax	(\$32.3)

This announcement has been approved by the Board for release.

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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 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.

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