

1. Company details

Name of entity:	TerraCom Limited
ABN:	35 143 533 537
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	51% to	190,395
Loss from ordinary activities after tax attributable to the owners of TerraCom Limited	up	461% to	(52,324)
Loss for the half-year attributable to the owners of TerraCom Limited	up	461% to	(52,324)

The half-year financial report should be read in conjunction with the 2020 Annual Financial Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(4.42)	7.20

4. Loss of control over entities

During the period ended 31 December 2020, as a result of management and board changes in *Universal Coal and Energy Holdings (Pty) Ltd* ("**UCEHSA**") (subsidiary) TerraCom has lost control of its South African Operations, in accordance with AASB 10 *Consolidated Financial Statements*.

There has been no change to the shareholding of any entity or TerraCom's share of returns generated by its South African operations.

In the Directors' opinion, the outcome of the control assessment performed during the period more appropriately reflects the Company's ultimate 49% ownership in the main South African Operations (shareholding of the various entities disclose in paragraph 6 below). The impact to reporting means that the financial result, and the financial position of, UCEHSA and all operations thereunder, can no longer be consolidated with the Group, and will be accounted for as an associate. Given this position, South African Operations have been deconsolidated from 31 October 2020, the date in which it was determined in accordance with AASB 10 that control over the South African Operations ceased.

In the Directors' opinion, the way in which the South African Operations will be reported from this point forward better reflects the Company's ultimate 49% ownership in the main South African Operations, whilst at the same time provides a more robust platform to allow expansion within South Africa.

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

	Amount per security Cents	Franked amount per security Cents
Interim dividend FY2020 (paid November 2019)	1.00	-
The Directors resolved not to declare or pay dividends for the six months ended 31 December 2020 (2019: \$0.01 per share)		

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Universal Coal	100.00%	19.99%	-	1,242
UCEHSA*	100.00%	-	(2,773)	-
- New Clydesdale Colliery	49.00%	-	-	-
- North Block Colliery	49.00%	-	-	-
- Ubuntu Colliery	49.00%	-	-	-
- Eloff Project	49.00%	-	-	-
- Kangala Colliery	70.50%	-	-	-
- Berenice and Cygnus Projects	50.00%	-	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(2,773)	1,242

*All other associates are immaterial for the Group and are listed in the 30 June 2020 Annual Financial Report.

7. Other Information

All other information can be obtained from the attached financial statements, accompanying notes and Directors' report.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

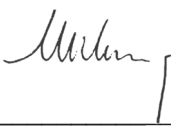
The financial statements were subject to a review by the auditors and the review report is attached as part of the Financial Statements.

9. Attachments

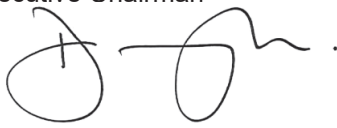
Details of attachments (if any):

The financial statements of TerraCom Limited for the half-year ended 31 December 2020.

10. Signed


Signed _____

Date: 28 February 2021
Wallace Macarthur King
Non-Executive Chairman
Sydney


Signed _____

Date: 28 February 2021
Daniel McCarthy
Chief Executive Officer
Sydney



TerraCom Limited

ABN 35 143 533 537

FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2020

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General information

The financial statements are presented in Australian dollars (AUD), which is TerraCom Limited's presentation currency. The functional currency of the Australian exploration subsidiaries and United Kingdom subsidiaries is Australian dollars (AUD), the South African subsidiaries and associates functional currency is South African Rand (ZAR), and the balance of the subsidiaries and TerraCom Limited is United States Dollar (USD).

TerraCom Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Blair Athol Mine Access Road, Clermont, Queensland, 4721.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2021. The Directors have the power to amend and reissue the financial statements.

Directors at the date of this report	Mr Wallace (Wal) King AO Mr Craig Ransley Mr Matthew Hunter Mr Glen Lewis Mr Craig Lyons (appointed 14 July 2020) Mr Shane Kyriakou (appointed 7 September 2020)
Company secretary	Ms Megan Etccl
Management team	Mr Daniel (Danny) McCarthy, Chief Executive Officer Mrs Celeste van Tonder, Chief Financial Officer Mr Nathan Boom, Chief Commercial Officer
Registered office and & Principal place of business	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia
Contact address	PO Box 131 Clermont, Queensland, 4721 Australia
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, New South Wales, 2000 Australia Telephone: +61 1300 554 474 Facsimile: +61 2 9287 0303
Auditor	Ernst & Young 200 George Street Sydney, New South Wales, 2000 Australia
Solicitors	Ashurst Australia Level 26, 181 William Street Melbourne, Victoria, 3000 Australia
Bankers	Westpac Banking Corporation Suite 2, Level 2 22 Walker Street Townsville, Queensland, 4810 Australia
Stock exchange listing	TerraCom Limited shares are listed on the Australian Securities Exchange (ASX code: TER)
Website	terracomresources.com

This Half-Year report for the six months ended 31 December 2020 is for TerraCom Limited (**TerraCom** or **the Company**) and its controlled entities (collectively known as **the Group**)

Directors

The following persons were directors of TerraCom Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Wallace (Wal) King AO
Mr Craig Ransley
Mr Matthew Hunter
Mr Glen Lewis
Mr Craig Lyons (Appointed 12 July 2020)
Mr Shane Kyriakou (Appointed 7 September 2020)
The Hon. Craig Wallace (Resigned 22 August 2020)
Mr Paul Anderson (Resigned 31 July 2020)
Mr James (Jim) Soorley (Resigned 13 July 2020)

Principal activities

The principal activity of TerraCom Limited and its controlled entities (the '**Group**') during the period was operating and developing coal mines in Australia and South Africa. Significant changes in the nature of the activities of the Group during the reporting period are outlined below.

Significant changes in the state of affairs

Transition to owner operator at the Blair Athol Mine

The Company successfully negotiated to transition to owner operator at its Blair Athol coal mine in Queensland, effective from 31 July 2020.

Since then, the Company has successfully delivered under its owner managed operational model, trading on a significantly reduced Free on Board (**FOB**) operating cost base of approximately AU\$60 per tonne. This places the Blair Athol mine in the first quartile of seaborne export FOB operating costs per tonne and the Company is pleased to report that the FOB costs are projected to remain at this level for the remainder of FY2021 and beyond.

Deconsolidation of South Africa

During the period ended 31 December 2020, as a result of management and board changes in *Universal Coal and Energy Holdings (Pty) Ltd* ("**UCEHSA**") (subsidiary), TerraCom has lost control of its South African Operations, in accordance with AASB 10 *Consolidated Financial Statements*.

There has been no change to the shareholding of any entity or TerraCom's share of returns generated by its South African operations.

In the Directors' opinion, the outcome of the control assessment performed during the period more appropriately reflects the Company's ultimate 49% ownership in the main South African Operations. The impact to reporting means that the financial result, and the financial position of, UCEHSA and all operations thereunder, can no longer be consolidated with the Group, and will be accounted for as an associate. Given this position, South African Operations have been deconsolidated from 31 October 2020, the date in which it was determined in accordance with AASB 10 that control over the South African Operations ceased.

In the Directors' opinion the way in which the South African Operations will be reported from this point forward better reflects the Company's ultimate 49% ownership in the main South African Operations, whilst at the same time provides a more robust platform to allow expansion within South Africa.

There were no other significant changes in the state of affairs of the Group during the half-year ended 31 December 2020.

Operating and Financial Review

The loss after income tax from continuing operations for the half-year for the Group amounted to \$60.4 million (31 December 2019: profit of \$4.5 million).

The consolidated comprehensive loss for the half-year of the Group amounted to \$33.2 million (December 2019: \$13.6 million).

Highlights

Production results achieved for the 6 months ended 31 December 2020 (assuming 100% ownership of Universal Coal plc in current and comparative period):

- Run of mine production 6.8 million tonnes (2019: 7.0 million tonnes)
- Coal sales 4.6 million tonnes (2019: 5.0 million tonnes)
- Coal stock inventory on hand: 0.9 million tonnes (2019: 0.7 million tonnes), representing an equivalent of 2 months of coal sales

Financial results from continuing operations for the TerraCom Group achieved for the 6 months ended 31 December 2020:

- Revenue from operations \$190.4 million (2019: \$125.4 million), representing a 51% increase on prior corresponding period. The Comparative period excludes the Results from Mongolia as this has been disclosed as a discontinued operation.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) a loss of \$27.5 million (2019 profit: \$27.8 million from continuing operations), including foreign exchange loss of \$6.6 million and loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd of \$2.4 million, both of which are non-cash items.
- Net loss after tax of \$60.4 million (2019: profit of \$4.5 million), including \$20.3 million net finance cost, and \$21.6 million non-cash items (Foreign exchange loss of \$6.6 million, Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd of \$2.4 million, and Depreciation and amortisation of \$12.6 million).
- Net cash used in operating activities (excluding interest and other finance costs) of \$21.1 million (2019: Net cash inflows of \$10.0 million), including \$22.7 million of working capital adjustment related to the Blair Athol transition from contract operated to owner operator, which are additional cash outflows that will not be incurred in future operating periods.
- Cash and cash equivalents (current) of \$4.1 million (June 2020: \$10.1 million), as well as, Restricted Cash of \$47.0 million (June 2020: \$47.6 million)

Financial Performance, Financial Position and Cash Flow

Statement of comprehensive income analysis

	HY2021	HY2020
	\$M	\$M
Revenue	190.4	125.4
Cost of Goods Sold	(188.3)	(100.2)
Gross Profit	2.1	32.0
Other Expenses	(23.0)	(8.0)
Net foreign exchange (loss)/gain	(6.6)	3.8
Operating EBITDA	(27.5)	27.8
Depreciation and Amortisation	(12.6)	(7.9)
Net Financial Expense	(20.3)	(18.1)
Profit/(Loss) Before Income Tax	(60.4)	1.8
Income Tax	-	2.7
Loss after tax from discontinued operations (Mongolia)	-	(13.8)
Loss After Tax	(60.4)	(9.4)

Statement of cash flow analysis

	HY2021	HY2020
	\$M	\$M
Net cash at beginning of period	10.1	59.2
Net cash from operating activities	(32.8)	(10.9)
Net cash from investing activities	(6.3)	3.8
Net cash from financing activities	32.8	17.0
Net increase/(decrease) in cash held	(6.4)	9.9
Effects of exchange rates	0.3	(0.1)
Net cash at end of period	4.1	69.0

Operational Summary

Operational production and sales volumes assume 100% ownership for both periods disclosed. The Mongolian operations have been removed from the HY2020 volumes as the entity was sold on the 23 June 2020.

Review of operations - Consolidated (Total)

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	6,805	7,032	(3%)
Saleable coal	4,766	5,141	(7%)
Coal sales	4,621	4,994	(7%)
Inventory (ROM)	512	403	27%
Inventory (Saleable)	364	279	30%

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

Review of operations – Consolidated (Equity)

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	4,213	4,574	(8%)
Saleable coal	3,111	3,418	(9%)
Coal sales	3,043	3,381	(10%)
Inventory (ROM)	283	276	3%
Inventory (Saleable)	252	229	10%

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

Review of operations – Mine by Mine

Australia – 100% Equity Interest

Blair Athol Mine

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	1,290	1,502	(14%)
Saleable coal	1,181	1,325	(11%)
Coal sales	1,205	1,407	(14%)
Inventory (ROM)	35	79	(56%)
Inventory (Saleable)	121	165	(27%)

The Blair Athol Mine in Queensland has successfully delivered under its fully owner managed operational model, trading on a significantly reduced Free on Board (**FOB**) operating cost base of around AU\$60 per tonne since transition. This places the Blair Athol mine in the first quartile of seaborne export FOB operating costs per tonne.

The Blair Athol Mine achieved 1.2 million tonnes of coal sales for the 6 months ended December 2020 and therefore operated at an annualised run rate of 2.4 million tonnes per annum.

Compared to the 2020 financial year, the Company has reduced annualised coal sales by only 0.2 million tonnes (or 7%), yet at the same time refined the FOB operating costs to be around AU\$60 per tonne per tonne, resulting in more than a 16% reduction in the FOB operating cost per tonne.

South Africa

Kangala Complex - 70% Equity Interest

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	1,026	1,687	(39%)
Saleable coal	807	1,036	(22%)
Coal sales	763	1,005	(24%)
Inventory (ROM)	64	176	(64%)
Inventory (Saleable)	86	37	132%

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

The Kangala colliery is approaching the end of its resource life and is expected to deliver its final product to market in Q3 FY2021.

The extension of the Kangala Complex is the development of the Eloff mining lease, which runs contiguously from the existing Kangala lease.

All of the required approvals are in place for the Kangala Complex to expand into the Eloff mining lease. Negotiations are continuing for a domestic off-take agreement which is expected to be concluded in the next 3 months to allow for the commencement of development early in Q4 of FY2021.

New Clydesdale Colliery (NCC) - 49% Equity Interest

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	2,211	1,842	20%
Saleable coal	1,270	1,446	(12%)
Coal sales	1,216	1,265	(4%)
Inventory (ROM)	114	109	5%
Inventory (Saleable)	56	53	6%

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

Despite an increase in domestic demand to Eskom towards the end of December 2020 (approximately 90% of the anticipated volumes), domestic demand from NCC was lower than anticipated for the reporting period. An increase in export volumes offset the reduced domestic volumes with approximately 15% more 6000Kcal RB1 product being delivered to market, compared to forecast. The increase in export volumes will allow the Company to continue to capitalise on the improved export coal pricing.

North Block Complex (NBC) - 49% Equity Interest

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	1,514	2,001	(24%)
Saleable coal	990	1,334	(26%)
Coal sales	1,082	1,317	(18%)
Inventory (ROM)	173	39	344%
Inventory (Saleable)	36	24	50%

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

As announced in December 2020, the Company successfully executed its export strategy for NBC with the first full shipment of thermal coal planned to sail during February 2021. This is a significant milestone for the South African operations and the Company looks forward to leveraging this achievement to increase its export coal sales in line with its strategic objectives.

During the reporting period, an additional CHPP circuit was installed which will provide increased throughput going forward. This was an important step for NBC as part of increasing its production output to annualised ROM coal production to be in excess of 4 million tonnes per annum, and thereby increasing the saleable coal and coal sales generated by the mine.

Ubuntu - 49% Equity Interest

	HY2021*	HY2020*	Movement
	(kt)	(kt)	%
ROM coal production	764	-	100%
Saleable coal	680	-	100%
Coal sales	616	-	100%
Inventory (ROM)	126	-	100%
Inventory (Saleable)	53	-	100%

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

Ubuntu production has been tailored to meet the Eskom demand for the crush and screen product produced. Ubuntu ended the reporting period with record sales recorded for the month of December 2020, delivering 91Kt to Eskom, in line with the improved off-take demand. With this improved performance, the colliery expects to increase production to match this demand.

Safety and COVID-19

The 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.

Dividends

There were no dividends paid to TerraCom shareholders during the six months ended 31 December 2020 (2019: \$0.01 per share).

Risks relating to the Company's future prospects

The Company operates in the coal sector in both South Africa and Australia. There are a number of factors, both specific to the Company and to the coal sector in general, which may, either individually or in combination, affect the future operating and financial performance of the Group, its prospects and/or the value of the Company's shares. Many of the circumstances giving rise to these risks are beyond the control of the Company's Directors and its management. The major risks believed to be associated with investment in the Company is as follows:

Operational risk

The Group's coal mining operations are subject to operating risks that could impact the amount of coal produced or processed at its coal mines, delay coal deliveries or increase the cost of mining for varying lengths of time. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment. Geological uncertainty is also an inherent operational risk which could result in pit wall failures, rock falls or other failures to mine infrastructure.

Global Pandemic risk

The recent COVID-19 pandemic outbreak poses significant risk to the Group across a number of areas. Ongoing or intermittent government-imposed shutdowns continue to impact sectors of the economy and ongoing travel restrictions and border closures by both the Australian and South African governments mean that supply chains, exports or customers of the Company may be impacted. With employees in both Australia and South Africa, a pandemic outbreak among employees, in either location, has the potential to cause interruption to business operations which may result in loss.

The exceptional circumstances stemming from the pandemic have resulted in uncertainty surrounding public health and the global economy, including impacts on energy and industrial markets. Short-term demand for thermal coal has contracted as a result of measures employed in many countries to slow the spread of the virus. Despite uncertainties surrounding the economic outlook, the fundamentals of our business model remain robust. Throughout the pandemic, our portfolio of coal products have remained sought after and well sold.

Development risk

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. Additionally, the construction of new projects/expansion by the Group may exceed the currently envisaged timeframe or cost for a variety of reasons outside the control of the Group.

Cash Flow risk

The risk that the Group's operations are unable to generate sufficient cashflow to meet their operational commitments and debt funding repayments could have a negative effect the Group's ability to continue as a going concern. The Group's operations were able to meet all their commitment for the period under review and service head office and corporate expenses. The Directors regularly review cash flow requirements to ensure the Group can meet financial obligations (refer note 1 for disclosure of the refinancing of current debt) as and when they fall due.

Country Risks

There is a risk that circumstances (including unforeseen circumstances) in either Australia or South Africa may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. There is also a risk that a change in laws may impact the viability of the projects.

Financial instrument risk

Both the Company and consolidate entity are exposed to risks arising from financial instruments held and issued.

Market risk - Coal Price and Foreign Currency

The Group's plans for any revenue are to be derived mainly from the sale of coal and/or coal products. Consequently, the Group's financial position, operating results and future growth will closely depend on the market price of each of these commodities. Market prices of coal products are subject to large fluctuations in response to changes in demand and/or supply and various other factors. These changes can be the result of uncertainty or several industry and macroeconomic factors beyond the control of the Group, including political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates. If market prices of the commodities sold by the Group were to fall below production costs for these products and remain at that level for a sustained period of time, the Group would be likely to experience losses, having a material adverse effect on the Group. The Group does not currently hedge against coal price and foreign exchange.

Competition risk

The industry in which the Group is involved is subject to domestic and global competition. While the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's projects and business.

Exploration and Evaluation risk

Mineral exploration and development are high risk undertakings. While the Group has attempted to reduce this risk by selecting projects that have identified prospective mineral targets, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. The Group's exploration and appraisal activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangements and regulatory authorities (authorisations) which may not be granted or may be withdrawn or made subject to limitations. Although the authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such authorisations. If the Group does not meet its work and/or expenditure obligations under its authorisations, this may lead to dilution of its interest in, or the loss of such authorisations. The business of commodity development and production involves a degree of risk. Amongst other factors, success is dependent on successful design, construction and operation of efficient gathering, processing and transportation facilities. Even if the Company discovers or recovers potentially commercial quantities of coal from its exploration activities, there is no guarantee that the Group will be able to successfully transport these resources to commercially viable market or sell the resources to customers to achieve a commercial return.

Resources and Reserves risk

The future success of the Group will depend on its ability to find or acquire coal reserves that are economically recoverable. There can be no assurance that the Group's planned exploration activities will result in significant resources or reserves or that it will have success mining coal. Even if the Group is successful in finding or acquiring coal reserves or resources, reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from coal resources or reserves will in fact be realised or that an identified coal resource will ever qualify as commercially viable which can be legally and economically exploited. Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates may render coal reserves and resources containing relatively lower grades of mineralisation uneconomic and may ultimately result in a restatement of reserves and or resources. Short-term operating factors relating to the coal reserves and resources, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period and may adversely affect the Group's profitability. The mining of coal involves a high degree of risk, including that the coal mined may be of a different quality, tonnage or strip ratio from that estimated.

Acquisitions and Commercial Transactions risk

Acquisitions and commercial transactions are completed by the Group with the principal objective of growing the Group's portfolio of assets. Risks associated with these transactions include adverse market reaction to proposed and/or completed transactions, further exploration and evaluation activities not meeting expectations, and the imposition of unfavourable or unforeseen conditions, obligations and liabilities.

Environmental and regulatory risk

The Group's projects are subject to laws and regulations regarding environmental matters. Many of the activities and operations of the Group cannot be carried out without prior approval from and compliance with all relevant authorities. The Group intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Group could be subject to liability due to risks inherent to its activities, such as groundwater contamination, subsidence, accidental spills, leakages or other unforeseen circumstances.

Cyber risk

The Group's operations are supported by an information technology security framework and back-up data infrastructure. However, computer viruses, unauthorised access, cyber-attack and other similar disruptions may threaten the security of information and impact operational systems.

Infrastructure risks

Coal sold from the Group's mining operations is transported to customers by a combination of trucks, rail and ship. A number of factors could disrupt these transport services, including a failure of infrastructure providers to increase capacity in order to meet future export requirements. Rail and port capacity is obtained predominantly through contract arrangements which includes take-or-pay provisions which require payment to be made irrespective of whether the service is actually used. The Group seeks to align these take-or-pay infrastructure obligations with the Group's forecasted future production.

Counterparty risk

The Group deals with a number of counterparties, including customers and suppliers. Risks include non-supply or changes to the quality of key inputs which may impact costs and production at its mining operations, or failure of suppliers or customers to perform against operational and sales contracts.

Climate Change risk

Climate change and management of carbon emissions may lead to increasing regulation and costs.

There continues to be focus from governments, regulators and investors in relation to how companies are managing the impacts of climate change policy and expectations. The Group's growth may be impacted by increasing regulation and costs associated with climate change and the management of carbon emissions.

The Group actively monitors current and emerging areas of climate change risk and opportunities to ensure appropriate action can be taken. The Group continuously focuses on improving its energy efficiency and emissions management in delivering cost efficiencies.

Political risk

Political and regulatory instability has been the cause of major investment uncertainty in the South African mining space. The South Africa Department of Mineral Resources unveiled new rules for Black Economic Empowerment, including more rigorous ownership requirements, increased expectations on skills development, and expanded quotas for buying goods and services from black-owned companies. Notwithstanding these additional requirements, the Group is in a fortunate position with respect to its South African Operations in that it fulfills nearly all obligations in the revised Mining Charter in its current format.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Wallace Macarthur King
Non-Executive Chairman

28 February 2021



Daniel McCarthy
Chief Executive Officer

28 February 2021



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of TerraCom Limited

As lead auditor for the review of the half year financial report of TerraCom Limited for the half year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of TerraCom Limited and the entities it controlled during the financial period.

Ernst & Young

Ryan Fisk
Partner
28 February 2021

TerraCom Limited
Interim consolidated statement of profit or loss
For the half-year ended 31 December 2020



		Consolidated	
		Half-Year 31	Half-Year 31
		December	December
	Note	2020	2019
		\$'000	\$'000
Revenue from contracts with customers		190,395	125,404
Other revenue		-	6,944
Revenue		<u>190,395</u>	<u>132,348</u>
Cost of goods sold		<u>(188,299)</u>	<u>(100,280)</u>
Gross profit		<u>2,096</u>	<u>32,068</u>
Expenses			
Other operating and administration expenses		(17,774)	(9,259)
Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd	3	(2,436)	-
Net foreign exchange gain/(loss)		(6,588)	3,774
Share of profits/(losses) of associates accounted for using the equity method	9	<u>(2,773)</u>	<u>1,242</u>
EBITDA		(27,475)	27,825
Depreciation and amortisation expense	7	(12,585)	(7,955)
Financial income		331	812
Financial expense	4	<u>(20,676)</u>	<u>(18,902)</u>
Profit/(loss) before income tax benefit from continuing operations		(60,405)	1,780
Income tax benefit		<u>29</u>	<u>2,662</u>
Profit/(loss) after income tax benefit from continuing operations		(60,376)	4,442
Loss after income tax expense from discontinued operations	15	<u>-</u>	<u>(13,839)</u>
Loss after income tax benefit for the half-year		<u><u>(60,376)</u></u>	<u><u>(9,397)</u></u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>27,143</u>	<u>(4,186)</u>
Other comprehensive income/(loss) for the half-year, net of tax		<u>27,143</u>	<u>(4,186)</u>
Total comprehensive loss for the half-year		<u><u>(33,233)</u></u>	<u><u>(13,583)</u></u>
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(9,954)	(77)
Discontinued operations		-	-
Non-controlling interest		<u>(9,954)</u>	<u>(77)</u>
Continuing operations		(23,279)	(13,506)
Discontinued operations		-	-
Owners of TerraCom Limited		<u>(23,279)</u>	<u>(13,506)</u>
		<u><u>(33,233)</u></u>	<u><u>(13,583)</u></u>

The above interim consolidated statement of profit or loss should be read in conjunction with the accompanying notes

TerraCom Limited
Interim consolidated statement of other comprehensive income
For the half-year ended 31 December 2020



	Consolidated	
	Half-Year 31	Half-Year 31
	December	December
	2020	2019
	\$'000	\$'000
	Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of TerraCom Limited		
Basic earnings per share	(8.01)	0.93
Diluted earnings per share	(8.01)	0.93
Earnings per share for loss from discontinued operations attributable to the owners of TerraCom Limited		
Basic earnings per share	-	(2.91)
Diluted earnings per share	-	(2.91)
Earnings per share for loss attributable to the owners of TerraCom Limited		
Basic earnings per share	(6.94)	(1.96)
Diluted earnings per share	(6.94)	(1.96)

The above interim consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

TerraCom Limited
Interim consolidated statement of financial position
As at 31 December 2020



		Consolidated	
		31 December	
	Note	2020	30 June 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		4,058	10,108
Trade and other receivables		7,834	48,201
Inventories		5,808	26,631
Other current assets		412	3,320
Total current assets		18,112	88,260
Non-current assets			
Restricted cash	6	47,000	47,647
Investments accounted for using the equity method	9	98,552	35
Other financial assets		-	4,737
Property, plant and equipment	7	99,790	301,726
Exploration and evaluation	8	42,440	154,589
Deferred tax		29,649	25,060
Other non-current assets		15,200	8,253
Total non-current assets		332,631	542,047
Total assets		350,743	630,307
Liabilities			
Current liabilities			
Trade and other payables		63,569	106,770
Borrowings	10	212,418	219,751
Lease liabilities		2,295	2,273
Provisions		1,662	1,429
Financial liabilities		845	1,026
Total current liabilities		280,789	331,249
Non-current liabilities			
Trade and other payables		-	1,726
Borrowings	11	30,779	39,604
Lease liabilities		406	2,666
Deferred tax		2,599	37,039
Provisions	12	69,542	143,938
Financial liabilities		2,651	3,386
Other		-	7,383
Total non-current liabilities		105,977	235,742
Total liabilities		386,766	566,991
Net (liabilities)/assets		(36,023)	63,316

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes

TerraCom Limited
Interim consolidated statement of financial position
As at 31 December 2020



	Consolidated	
	31 December	
Note	2020	30 June 2020
	\$'000	\$'000
Equity		
Issued capital	335,642	335,492
Reserves	39,882	14,450
Accumulated losses	(412,821)	(361,513)
Deficiency in equity attributable to the owners of TerraCom Limited	(37,297)	(11,571)
Non-controlling interest	1,274	74,887
Total (deficiency)/equity	(36,023)	63,316

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes

TerraCom Limited
Interim consolidated statement of changes in equity
For the half-year ended 31 December 2020



Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payments / options reserve \$'000	Retained profits \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	277,662	1,843	11,667	(225,112)	4,387	70,447
Loss after income tax benefit for the half-year	-	-	-	(9,320)	(77)	(9,397)
Other comprehensive loss for the half-year, net of tax	-	(4,186)	-	-	-	(4,186)
Total comprehensive loss for the half-year	-	(4,186)	-	(9,320)	(77)	(13,583)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	12,777	-	-	-	-	12,777
Share-based payments	150	-	125	-	-	275
Dividends Paid	-	-	-	(4,671)	-	(4,671)
Balance at 31 December 2019	<u>290,589</u>	<u>(2,343)</u>	<u>11,792</u>	<u>(239,103)</u>	<u>4,310</u>	<u>65,245</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payments / options reserve \$'000	Retained profits \$'000	Non-controlling interest \$'000	Total equity (deficiency in equity) \$'000
Balance at 1 July 2020	335,492	2,539	11,911	(361,513)	74,887	63,316
Loss after income tax benefit for the half-year	-	-	-	(52,324)	(8,052)	(60,376)
Other comprehensive income/(loss) for the half-year, net of tax	-	29,045	-	-	(1,902)	27,143
Total comprehensive income/(loss) for the half-year	-	29,045	-	(52,324)	(9,954)	(33,233)
Dividend paid to other shareholders	-	-	-	1,016	(1,016)	-
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	150	-	-	-	-	150
Deconsolidation of UCEHSA	-	(3,613)	-	-	(62,643)	(66,256)
Balance at 31 December 2020	<u>335,642</u>	<u>27,971</u>	<u>11,911</u>	<u>(412,821)</u>	<u>1,274</u>	<u>(36,023)</u>

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes

TerraCom Limited
Interim consolidated statement of cash flows
For the half-year ended 31 December 2020



		Consolidated	
		Half-Year 31	Half-Year 31
		December	December
	Note	2020	2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		178,372	148,759
Payments to suppliers and employees		(199,804)	(139,555)
Interest received		332	812
		<u>(21,100)</u>	<u>10,016</u>
Interest and other finance costs paid		(11,777)	(20,895)
		<u>(32,877)</u>	<u>(10,879)</u>
Net cash used in operating activities		<u>(32,877)</u>	<u>(10,879)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	7	(5,065)	(3,152)
Payments for exploration and evaluation	8	(2)	(287)
Payments for cash advances to other parties		-	(2,974)
Investment in associate		-	(17,310)
Release from restricted cash		647	-
Contribution to rehabilitation insurance collateral		(794)	27,493
Deconsolidation of UCEHSA		(1,072)	-
		<u>(6,286)</u>	<u>3,770</u>
Net cash from/(used in) investing activities		<u>(6,286)</u>	<u>3,770</u>
Cash flows from financing activities			
Proceeds from borrowings		57,403	28,879
Share issue transaction costs		-	(1,075)
Repayment of borrowings		(22,853)	(1,590)
Principal lease payments		(729)	(4,539)
Dividends paid		-	(4,672)
Dividends paid to Mountain Rush (non-controlling interest at Kangala Colliery)		(1,016)	-
		<u>32,805</u>	<u>17,003</u>
Net cash from financing activities		<u>32,805</u>	<u>17,003</u>
Net increase/(decrease) in cash and cash equivalents		(6,358)	9,894
Cash and cash equivalents at the beginning of the financial half-year		10,108	59,201
Effects of exchange rate changes on cash and cash equivalents		308	(64)
		<u>4,058</u>	<u>69,031</u>
Cash and cash equivalents at the end of the financial half-year		<u>4,058</u>	<u>69,031</u>

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The financial statements of TerraCom Limited (the Company) and its controlled entities (collectively known as “the Group”) for the half-year ended 31 December 2020 were authorised for issue on 28 February 2021 in accordance with a resolution of the Directors.

The Company is:

- a company limited by shares;
- incorporated and domiciled in Australia;
- publicly traded on the Australian Securities Exchange (ASX code: TER); and
- a for-profit entity for the purpose of preparing the financial statements.

Basis of preparation

The half-year financial statements for the half-year ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

The interim financial statements have been prepared on an accrual basis and are based on historical costs, except for the measurement at fair value of financial assets and financial liabilities.

The controlled entities are all those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect its returns.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value upon recognition.

Going Concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2020 the Group was in an overall net liability deficiency of \$36.0 million (30 June 2020: net asset position \$63.3m) and had a net current liability deficiency of \$262.7 million (30 June 2020: \$243.0 million), with \$199.2 million (or 77%) of this deficiency relating to repayment of Borrowings (Listed Euroclear Bond) due for repayment on 30 June 2021. The remainder of the deficiency is primarily due to trade and other creditor balance of \$63.6 million.

As a result, the Group has refinance risk on account of the Listed Euroclear Bond being due for repayment on 30 June 2021, being approximately 4 months from the release date of the Financials. In addition to the refinance risk, the Group is reliant on improved coal prices, however if this does not occur the Group may require access to additional financing.

The statutory loss after tax for the period was \$60.4 million. During the period, the Company was impacted by significantly depressed coal prices. The average revenue per tonne received from Blair Athol during the period was \$58.8 compared to \$89.1 in the prior corresponding period. In addition, the Income Statement consists of a number of major non-cash items, including \$2.4 million related to loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd, \$12.6 million of depreciation and amortisation, and \$6.5 million of finance costs.

Note 1. Significant accounting policies (continued)

The Group had negative cashflow from operating activities excluding interest and tax of \$21.1 million (30 June 2020: positive cash flow of \$10.0 million).

As outlined in note 10 the maturity date of the Listed Euroclear Bond is 30 June 2021. The challenging operating environment brought about by COVID-19, ever-changing ESG policies of financiers and other major events (including US political turmoil) has resulted in the Company being delayed further on completing the refinance. The Company expects to have the refinance advanced by the end of the March 2021 quarter.

The Company, as included in prior ASX announcements, amended the Group's strategy during the 2020 financial year to position itself as a mid-tier diversified bulk commodities producer operating in multiple jurisdictions. Implementation of this strategy in the 2020 financial year resulted in the Directors making the conscious decision to put the refinance on hold, with the focus on the purchase of 100% of Universal Coal plc (refer note 3 for details of the acquisition that completed on 100% interest in Universal Coal plc completing on 30 June 2020).

The acquisition of Universal Coal plc has provided the platform for the Group to implement part of its diversification strategy. The Group has also reduced its sovereign risk profile with new investments in South Africa. This acquisition allows the Company to establish itself on the African continent, with equity interests in four operating mines that produced in excess of 11 million tonnes of ROM production in the 2020 financial year.

The above matters give rise to significant doubt about the Company's ability to continue as a going concern. The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In the directors' opinion, the going concern basis of preparation remains appropriate based on:

- The improving financial performance of its current operations, due to improved coal pricing being realised after 31 December 2020;
- The Group's history of being able to pay down, refinance or defer its debt obligations, if required;
- The Group's history of managing working capital; and
- The Group's ability to raise additional debt or equity should it be required.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Commercial production start date

The Group assesses the stage of each mine development to determine when a mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:

- (i) Level of capital expenditure incurred compared with the original construction cost estimate;
- (ii) Completion of a reasonable period of testing of the mine plant and equipment;
- (iii) Ability to produce coal in saleable form (within specifications); and
- (iv) Ability to sustain ongoing production of coal.

When a mine development moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Note 1. Significant accounting policies (continued)

Loss of Control and deconsolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

In order to recognise the fair value of the investment retained, the Group assesses the fair value of the estimated future cash flows which are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors including future coal prices, discount rates, foreign exchange rates, future costs of production, stripping ratios, and future capital expenditure. These assumptions are likely to change over time, which may then impact the estimated life of the mine, and the associated fair value of the underlying entities.

New or amended Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time at 1 July 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group. Should there be any impact in future years accounting policies will be updated accordingly.

Note 2. Operating segments

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers, or CODM) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the geographical location of the segment; and
- any external regulatory requirements.

Performance is measured based on segment profit after income tax as included in the internal financial reports.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The reporting segments are organised according to the nature of the activities undertaken and geographical local of the activities as outlined below:

Australia	Coal exploration and extraction activities within Australia
South Africa	Investment in UCEHSA – coal exploration and extraction activities in South Africa
Mongolia	Coal exploration and extraction activities within Mongolia (sold 23 June 2020)
Corporate	Various business development and support activities that are not allocated to operating segments.

Note 2. Operating segments (continued)

Accounting policies adopted

All amounts reported to the Board of Directors, being the chief operating decision-makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

A number of inter-segment transactions, receivables, payables or loans occurred during the period, or existed at balance date. In addition, corporate re charges were allocated to the reporting segments.

Current year result composition

The UCEHSA results have been included in the profit and loss results for the period 1 July 2020 to 31 October 2020. The remainder of the period has been equity accounted and is reflected in the income from the investment in associate.

Major customers

During the period ended 31 December 2020 the Group's external revenue was derived from sales to the following customers:

	Half-Year 31 December 2020	Half-Year 31 December 2020	Half-Year 31 December 2019	Half-Year 31 December 2019
	\$'000	%	\$'000	%
Major Customer				
Eskom Sales	90,219	47%	-	-
ITOCHU	34,873	18%	-	-
Glencore	24,010	13%	-	-
Noble Resources	12,971	7%	98,472	79%
Other Customers	28,322	15%	26,932	21%
	<u>190,395</u>		<u>125,404</u>	

The Eskom and Glencore sales relate to the South African operations for the period 1 July 2020 to 31 October 2020, the date of deconsolidation.

Note 2. Operating segments (continued)

Consolidated – Half-year 31 December 2020	Australia \$'000	South Africa \$'000	Unallocated / Corporate \$'000	Total \$'000
Revenue				
Revenue from contracts with customers	70,892	119,503	-	190,395
Other revenue	-	-	-	-
Cost of goods sold	(71,655)	(116,644)	-	(188,299)
Gross Margin	(763)	2,859	-	2,096
Other operating and administration expenses	(2,520)	(7,391)	(7,863)	(17,774)
Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd	-	-	(2,436)	(2,436)
Net foreign exchange gain / (loss)	-	-	(6,588)	(6,588)
Share of profits/(losses) of associates accounted for using the equity method	-	-	(2,773)	(2,773)
EBITDA	(3,283)	(4,532)	(19,660)	(27,475)
Depreciation and amortisation expense	(7,264)	(5,321)	-	(12,585)
Net Finance expenses	(522)	(2,468)	(17,355)	(20,345)
	(11,069)	(12,321)	(37,015)	(60,405)
Profit / (Loss) before income tax				(60,405)
Income tax benefit / (expense)				29
Profit after income tax benefit				(60,376)
Assets				
Segment assets	247,690	98,552	4,501	350,743
Total assets				350,743
Liabilities				
Segment liabilities	144,296	-	242,470	386,766
Total liabilities				386,766

Note 2. Operating segments (continued)

Consolidated - Half-year 31 December 2019	Australia \$'000	South Africa \$'000	Mongolia \$'000	Unallocated / Corporate \$'000	Total \$'000
Revenue					
Sales to external customers	125,404	-	27,686	-	153,090
Other income	-	-	-	6,944	6,944
Cost of goods sold	(100,280)	-	(24,898)	-	(125,178)
Gross Margin	25,124	-	2,788	6,944	34,856
Other operating and administration expenses	(3,457)	-	(3,965)	(5,802)	(13,224)
Exploration tenement write-off	-	-	-	-	-
Share of profits of associates	-	-	-	1,242	1,242
Operating EBITDA	21,667	-	(1,177)	2,384	22,874
Depreciation and amortisation	(7,955)	-	(12,662)	-	(20,617)
Net Finance expenses	-	-	-	(18,090)	(18,090)
Net foreign exchange loss	-	-	-	3,774	3,774
	13,712	-	(13,839)	(11,932)	(12,059)
Profit / (Loss) before income tax					(12,059)
Income tax expense					2,662
Profit after income tax expense					(9,397)
Consolidated – 30 June 2020					
Assets					
Segment assets	259,309	366,505	-	4,493	630,307
Total assets					630,307
Liabilities					
Segment liabilities	137,098	167,258	-	262,635	566,991
Total liabilities					566,991

*All Mongolian assets were disposed on 23 June 2020

Note 3. Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd

	Consolidated Half-Year 31 December 2020 \$'000	Half-Year 31 December 2019 \$'000
Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd	2,436	-

Effective 31 October 2020, significant changes occurred at both a management and board level of *Universal Coal and Energy Holdings (Pty) Ltd* ("UCEHSA"), an entity 100% owned by the Group through its acquisition of Universal Coal Plc. UCEHSA owns TerraCom's share in the underlying South African operations.

Note 3. Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd (continued)

TerraCom's wholly owned subsidiary, Universal Coal Plc owns 100% of the shares in UCEHSA, which owns 49% to 70.5% of the shares in a number of South African operational and exploration entities. UCEHSA previously controlled all these South African operations given operating agreements in place for each discrete mining operation.

During the period, the Group entered into an agreement with Ndalamo Resources Proprietary Limited ("Ndalamo") to affect a restructure, whereby UCEHSA will acquire a 100% ownership in all of the operational and exploration entities, in exchange for Ndalamo taking an ownership interest of 51% of UCEHSA.

The restructure is a multi-step process which is still ongoing, however based on the changes which had occurred at 31 October 2020, being changes in the Board and Management of UCEHSA, the TerraCom Group has lost control of this entity as prescribed by *AASB10: Consolidated Financial Statements*.

While the shareholding of UCEHSA and all other South African companies owned by the Group has not changed, due to the changes which have been affected to date under this agreement, the ability to control the rights to variable returns has been lost. Completion of the restructure and share transfer is subject to Competition Commission approval as per the South African Competition Act, No 89 of 1998. TerraCom has retained significant influence over UCEHSA as a result of it retained Board positions.

Accordingly, the UCEHSA group has been deconsolidated and instead recorded as an equity accounted investment from 1 November 2020. Results of UCEHSA (and its subsidiaries) up to the point of deconsolidation have been consolidated in the Group's consolidated statement of Profit and loss, Other Comprehensive Income and Statement of Cash Flows. Results of UCEHSA post deconsolidation have been recorded within the profits from equity accounted investments line item. Refer to note 9.

Note 3. Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd (continued)

The carrying value of the UCEHSA Group at the date that control was lost has been indicated below:

	31 October 2020 \$'000
Assets	
Cash and cash equivalents	1,072
Trade and other receivables	55,148
Inventories	16,702
Property, plant and equipment	190,996
Exploration and evaluation	114,577
Financial Asset	5,790
Loan Receivable from external shareholders	3,899
Total Assets	388,184
Liabilities	
Trade and other payables	(52,908)
Provisions	(1,002)
Borrowings	(46,702)
Provisions	(79,580)
Financial liabilities	(1,121)
Deferred tax	(35,857)
Total Liabilities	(217,170)
Net Assets	171,014
Net Assets	171,014
Non-controlling interest	(63,640)
Net assets attributable to TerraCom	107,374

Note 3. Loss on deconsolidation of Universal Coal and Energy Holdings (Pty) Ltd (continued)

The Financial result for the UCEHSA group for the current period until 31 October 2020 as consolidated in the Group's half year result:

	31 October 2020 \$'000
Revenue	
Revenue from contracts with customers	119,503
Cost of goods sold	(116,644)
Gross profit	2,859
Other operating and administration expenses	(7,391)
EBITDA	(4,532)
Depreciation and amortisation expense	(5,321)
Net finance expenses	(2,468)
Loss before income tax benefit	(12,321)
Income tax benefit	607
Loss after income tax benefit	(11,714)

The Cash Flow result for the UCEHSA group for the current period until 31 October 2020 as consolidated in the Group's Statement of Cash Flows:

	31 October 2020 \$'000
Net cash used in operating activities	(14,613)
Net cash from investing activities	(2,073)
Net cash used in financing activities	8,996
Net decrease in cash and cash equivalents from deconsolidated UCEHSA	(7,690)

	31 October 2020 \$'000
Deconsolidation of carrying value of UCEHSA	(107,374)
Recycling of foreign translation reserve upon deconsolidation of UCEHSA	3,613
Recognition of the fair value of the UCEHSA group Investment in Associate	101,325
Loss on deconsolidation of Universal Coal	(2,436)

As disclosed in Note 5, the accounting for the acquisition of Universal Coal plc remains provisional at the date of this report. Any updates to the acquisition accounting may have flow on effects to the investment in associate balance and the fair value upon initial recognition

Note 4. Financial expense

	Consolidated Half-Year 31 December 2020 \$'000	Consolidated Half-Year 31 December 2019 \$'000
Interest expense on interest bearing loans	16,588	15,029
Other interest and finance expenses	4,088	3,873
	<u>20,676</u>	<u>18,902</u>

Note 5. Business combinations

Acquisition of Universal Coal plc

As disclosed in note 4 of the 30 June 2020 Annual Financial Report, the Group reported a provisional gain on acquisition of \$9.71 million in respect of the acquisition of Universal Coal plc on 1 April 2020.

At the date of this report, the accounting for the acquisition of Universal Coal plc is still provisional. However, further analysis performed to date has not identified any changes to the fair value of the acquisition since the June 2020 Annual Financial report.

The accounting for this transaction remains provisional and will be finalised prior to 1 April 2021.

	Fair Value 30 June 2020
Cash and cash equivalents	21,528
Trade and other receivables	91,208
Inventories	15,063
Restricted cash	770
Property, plant and equipment	203,435
Exploration and evaluation	115,402
Financial asset	3,653
Loan payable to external shareholders	(4,218)
Trade and other payables	(93,777)
Borrowings	(11,464)
Provisions	(79,307)
Financial liabilities	(1,039)
Deferred tax	(42,289)
Net assets acquired	<u>218,965</u>
Non-controlling interest	<u>(108,667)</u>
Acquisition-date fair value at TerraCom's share	<u>110,298</u>

Representing

Investment in associate at acquisition (27 March 2020)	99,848
Dividend received	(519)
Share of profit/(loss) of associate to date of control	1,259
Gain on revaluation of associate on acquisition	<u>9,710</u>
	<u>110,298</u>

Note 6. Non-current assets - Restricted cash

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Bank deposit	2,000	2,647
Secured deposit	45,000	45,000
	<u>47,000</u>	<u>47,647</u>

The bank deposit of \$2.0 million is held by the State bank of India, Sydney Branch as required under the \$15.0 million facility agreement.

The secured deposit relates to the cash pledged as security for the issuance of a bank guarantee to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Blair Athol Coal Mine's Environmental Authority EPML00876713. The insurance bond facility is \$72 million, however only requires a cash backing of \$45 million. The secured deposit is held by Westpac and currently bears an interest rate of 0.68% per annum, with interest payable 6 monthly in arrears.

Note 7. Non-current assets - Property, plant and equipment

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Land and buildings - at cost	5,670	6,344
Right-of-Use Plant and Equipment - at cost	5,111	6,843
Less: Accumulated depreciation	(2,503)	(2,108)
	<u>2,608</u>	<u>4,735</u>
Plant and equipment - at cost	27,598	48,280
Less: Accumulated depreciation	(6,992)	(16,510)
	<u>20,606</u>	<u>31,770</u>
Capital works in progress - at cost	7,990	27,797
Mine development - at cost	109,553	344,089
Less: Accumulated depreciation	(46,637)	(113,009)
	<u>62,916</u>	<u>231,080</u>
	<u>99,790</u>	<u>301,726</u>

Note 7. Non-current assets - Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Right-of-use Assets \$'000	Capital works in progress \$'000	Land and buildings \$'000	Plant and equipment \$'000	Mine development \$'000	Total \$'000
Balance at 1 July 2020	4,735	27,797	6,344	31,770	231,080	301,726
Additions	-	4,119	-	541	936	5,596
Deconsolidation of UCEHSA	(1,040)	(11,027)	-	(4,856)	(174,073)	(190,996)
Exchange differences	(314)	(6,378)	(674)	(4,492)	7,907	(3,951)
Transfers in/(out)	-	(6,521)	-	-	6,521	-
Depreciation expense	(773)	-	-	(2,357)	(9,455)	(12,585)
Balance at 31 December 2020	<u>2,608</u>	<u>7,990</u>	<u>5,670</u>	<u>20,606</u>	<u>62,916</u>	<u>99,790</u>

Right-of-use Assets

Right-of-use assets consist of mining plant and equipment and an office lease.

Refer to note 3 for details regarding the deconsolidation of UCEHSA.

Note 8. Non-current assets - Exploration and evaluation

	Consolidated 31 December 2020 \$'000	30 June 2020 \$'000
Exploration and evaluation	<u>42,440</u>	<u>154,589</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Exploration and evaluation assets \$'000
Balance at 1 July 2020	154,589
Additions	279
Deconsolidation of UCEHSA	(114,577)
Exchange differences	<u>2,149</u>
Balance at 31 December 2020	<u>42,440</u>

The interest in mining tenements has not changed significantly from 30 June 2020 as listed in note 21 of the 2020 Annual Financial Report. Refer to note 3 for details regarding the deconsolidation of UCEHSA.

Note 9. Non-current assets - Investments accounted for using the equity method

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Investment in UCEHSA	98,552	-
Universal Coal Development VI (Pty) Ltd	-	16
Universal Coal Logistics (Pty) Ltd	-	19
	<u>98,552</u>	<u>35</u>

Following from note 3, the Group has lost control of UCEHSA however retains significant influence. Therefore, the Group's investment in this entity is now accounted for as an investment Associate using the equity method. Below is the statement of financial position and statement of profit and loss for UCEHSA for the 6 months ending 31 December 2020.

At 30 June 2020 the group disclosed Investments in associates that were held as part of the Universal Coal consolidated company. Those companies are now included in the Investment in UCEHSA.

	31 December
	2020
	\$'000
<i>Summarised statement of financial position of UCHESA (100%)</i>	
Current assets	72,316
Non-current assets	318,175
Total assets	390,491
Current liabilities	(54,830)
Non-current liabilities	(162,271)
Total liabilities	(217,101)
Net assets	173,390
Net assets	173,390
Net assets attributable to other shareholders	(74,838)
Net assets attributable to TerraCom	98,552

Note 9. Non-current assets - Investments accounted for using the equity method (continued)

	2-months- ended 31 December 2020 \$'000
<i>Summarised statement of profit or loss and other comprehensive income of UCEHSA</i>	
Revenue	55,206
Expenses	(60,428)
EBITDA	(5,222)
Depreciation	(2,941)
Net Interest Expense	(1,471)
Loss before income tax	(9,634)
Taxation	2,007
Loss after income tax	(7,627)
Other comprehensive income	4,727
Total loss	(2,900)
Total comprehensive loss	(2,900)
Foreign translation reserve	127
	(2,773)
<i>Reconciliation of the consolidated entity's carrying amount</i>	
Opening carrying amount (note 4)	101,325
Share of total comprehensive loss	(2,773)
Closing carrying amount	98,552

Note 10. Current liabilities - Borrowings

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Listed (Euroclear) bond	199,159	215,098
Other borrowings	13,259	4,653
	212,418	219,751

Refer to note 11 for further information on borrowings.

Note 11. Non-current liabilities - Borrowings

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
OCP Convertible note	24,659	25,366
Other borrowings	6,120	14,238
	<u>30,779</u>	<u>39,604</u>

Listed (Euroclear) Bond

The Listed (Euroclear) Bond had been fully drawn down as at 31 December 2019 for the amount of US\$97 million (purchase price of the bonds) and an initial redemption value of US\$124 million. The facility bears a cash interest rate of 12.5% per annum, payable 6 monthly in arrears. In accordance with the deed, the Company can elect to pay-in-kind (PIK) 50% of the interest repayments which are added to the redemption value of the bonds. The maturity date of the facility is 30 June 2021 at which point the redemption value of the facility, including the Listed (Euroclear) bond, PIK interest and converted Super Senior note, as calculated on 31 December 2020 is for the amount of US\$145.2 million. This facility includes a special interest component which has been treated as a separate non-derivative financial liability. This instrument, which represents an incremental cost that is directly attributable to the issue of the bond, has been treated as a transaction cost and offset against the fair value on initial recognition. The facilities are subject to debt covenants and obligations to make interest and principal payments on set dates. Should these terms not be met by the Company an event of default may eventuate.

OCP Convertible Note

On 24 December 2019 TerraCom Limited completed a Convertible Bond Facility for US\$20 million with Madison Pacific Trust Limited being appointed the Note Trustee and OL Master (Singapore Fund 1) Pte Ltd (OCP Asia) being the Initial Noteholder. The facility is for 3 years, with a redemption date of 23 December 2023 and bears an interest rate of 9.95% per annum. Interest is paid every 6 months in arrears commencing on 30 June 2020 with a final interest payment due on the redemption date. The principle is due to be repaid on 23 December 2022 unless it is converted to equity. The convertible note includes the option to convert the notes into TerraCom shares at a price of \$0.696 per share. This option meets the definition of a derivative liability with changes in fair value being recognised in profit and loss on each reporting date. At 31 December 2020 the value of the derivative liability was AU\$1.5 million (30 June 2020: AU\$2.9). The fair value through profit and loss of the derivative liability for the period was \$1.2 million (2019: nil) and is included in financial expense (note 4).

Other Borrowings at 31 December 2020 consists of the State Bank of India working capital facility, and comparative figures included debt from the South Africa operations.

Note 12. Non-current liabilities - Provisions

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Mine rehabilitation and closure	<u>69,542</u>	<u>143,938</u>

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the life of the estimated life of the mine (7-15 years), which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain.

Note 12. Non-current liabilities - Provisions (continued)

The reduction in the provision for mine rehabilitation and closure is due to the derecognition of the UCEHA assets on 31 October 2020.

Consolidated - 31 December 2020

\$'000

Carrying amount at the start of the half-year	143,938
Unwinding of interest on liability	2,000
Exchange differences	3,184
Deconsolidation of UCEHSA	(79,580)
Carrying amount at the end of the half-year	<u>69,542</u>

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value (at 31 December 2020 and 30 June 2020, no assets or liabilities are measured at fair value), using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 December 2020

Assets

	Amortised cost \$'000	Fair value through profit or loss \$'000	Fair value through OCI \$'000
Cash and cash equivalents	4,058	-	-
Trade and other receivables	7,834	-	-
Restricted cash	47,000	-	-
Other assets	15,612	-	-
Total assets	<u>74,504</u>	<u>-</u>	<u>-</u>

Liabilities

Trade and other payables	63,569	-	-
Borrowings	243,197	-	-
Financial liabilities	845	2,651	-
Total liabilities	<u>307,611</u>	<u>2,651</u>	<u>-</u>

Note 13. Fair value measurement (continued)

Consolidated - 30 June 2020	Amortised cost \$'000	Fair value through profit or loss \$'000	Fair value through OCI \$'000
<i>Assets</i>			
Cash and cash equivalents	10,108	-	-
Trade and other receivables	48,201	-	-
Restricted cash	47,647	-	-
Other assets	11,573	-	-
Ndalamo loan receivable	11,798	-	-
Total assets	129,327	-	-
<i>Liabilities</i>			
Trade and other payables	108,496	-	-
Borrowings	259,355	-	-
Financial Liabilities	1,446	2,966	-
Ndalamo loan payable	19,181	-	-
Total liabilities	388,478	2,966	-

Other than the derivative described below the Group does not have any Level 1, Level 2 or Level 3 financial instruments at fair value at 31 December 2020 or 30 June 2020.

The fair value through profit and loss component of financial liabilities relates to an embedded derivative on the Convertible Note. The convertible note includes the option to convert the notes into TerraCom shares at a price of \$0.696 per share. This option meets the definition of a derivative liability with changes in fair value being recognised in profit and loss on each reporting date. The value of the derivative is determined using the Black-Scholes model.

Note 14. Related party transactions

Parent entity

TerraCom Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Half-Year 31 December 2020 \$	Consolidated Half-Year 31 December 2019 \$
Payment for goods and services:		
Issued 1,000,000 fully paid ordinary shares at an issue price of \$0.15 to Wallace King AO	150,000	-
Issued 362,138 fully paid ordinary shares at an issue price of \$0.4142 to Point Road Investments Pty Ltd - Wallace King AO	-	150,000
Mountain Rush Trading 6 (Pty) Ltd	390	-
Ndalamo Resources (Pty) Ltd	2,084	-
Services from The Maji Trust (director fees) - James Soorley	79,193	60,000
Services from Lewis Mining Consulting (directors fees) - Glen Lewis	101,000	-
Services from OT21 Consulting (director fees) - Shane Kyriakou	94,550	-
Services from Craig Lyons (director fees)	127,500	-

Note 14. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$	\$
Current payables:		
Trade payables to The Maji Trust - James Soorley	-	10,000
Trade payables to Lewis Mining Consulting - Glen Lewis	17,291	10,000
Trade payables to OT21 Consulting - Shane Kyriakou	16,500	-
Trade payables to Craig Lyons	20,000	-

The above amounts are classified as trade and other payables.

Wallace King AO (Point Road Investments Pty Ltd)

The issue of fully paid ordinary shares to Wallace King AO were part of his Non-Executive Chairman remuneration package. These fully paid ordinary shares were approved by the shareholders at the Annual General Meeting on 30 November 2020 (31 December 2019: ordinary shares issued to Point Road Investments Pty Ltd were approved by the shareholders at the Annual General Meeting on 19 November 2019).

The Maji Trust (Maji)

The payments made by the company to The Maji Trust are for the services of Mr James Soorley acting as Non-Executive, Independent Director. Mr Soorley was appointed to this role on 8 March 2017 and resigned on 13 July 2020. The amount payable to Maji on 31 December 2020 is nil, (30 June 2020: \$10,000 for director fees).

Lewis Mining Consulting

The payments made by the company to Lewis Mining Consulting are for the services of Mr Glen Lewis acting as Non-Executive, Independent Director. Mr Lewis was appointed to this role on 23 December 2019. The amount payable to Lewis Mining Consulting on 31 December 2020 is made up of director fees of \$17,291 (30 June 2020: \$10,000).

Craig Lyons

The payments made by the company to Mr Craig Lyons are for his services acting as Non-Executive, Independent Director. Mr Lyons was appointed to this role on 14 July 2020. The amount payable to Mr. Lyons on 31 December 2020 is made up of director fees of \$20,000 (30 June 2020: nil).

OT21 Consulting

The payments made by the company to OT21 Consulting are for the services of Mr Shane Kyriakou acting as Non-Executive Director. Mr Kyriakou was appointed to this role on 7 September 2020. The amount payable to OT21 Consulting on 31 December 2020 is made up of director fees of \$16,500 (30 June 2020: nil).

Mountain Rush Trading 6 (Pty) Ltd

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, Universal Coal Development I (Pty) Ltd and Universal Coal and Energy Holdings South Africa (Pty) Ltd. Mountain Rush is the non-controlling interest partner that holds 29.5% of the shareholding of Universal Coal Development I (Pty) Ltd. The transaction is considered to be at "arms-length". Management fees disclosed in the table excludes any dividend distributions paid to shareholders.

Note 14. Related party transactions (continued)

Ndalamo Resources (Pty) Ltd

Fees paid to Ndalamo Resources (Pty) Ltd relate to management fees permitted in accordance with the various shareholders and management agreements that is currently in place. Ndalamo Resources is the shareholder in all other significant operations within the South African entities and currently hold 51% of NCC, NBC, Ubuntu and Eloff. The transactions are considered to be at "arms-length".

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Discontinued operations

Description

On 23 June 2020, the Company completed the sale of its Mongolian operations to Bridge Resources Pte Ltd (Bridge) for US\$3. This transaction was effected, through the sale of the equity in three of TerraCom's Singapore based subsidiaries who were the holders of the interests in the Mongolian assets (Tellus Commodities Pte Ltd, Terra Infrastructure Pte Ltd and Tellus Marketing Pte Ltd).

Refer to the 30 June 2020 Annual financial report for further information on sale of the Mongolia operations.

Cash flow information

	Consolidated Half-Year 31 December 2019 \$'000
Net cash used in operating activities	(12,853)
Net cash from investing activities	4
Net cash used in financing activities	<u>(3,529)</u>
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(16,378)</u></u>

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Wallace Macarthur King
Non-Executive Chairman

28 February 2021



Daniel McCarthy
Chief Executive Officer

28 February 2021

Independent Auditor's Review Report to the Members of TerraCom Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of TerraCom Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates the Group incurred a net loss for of \$60.4 million for the half-year ended 31 December 2020 and, as of that date, the Group's current liabilities exceed its current assets by \$262.7 million. This current liability position is partly due to the requirement to refinance of the Group's Listed Euroclear Bond of \$199.2 million, currently due for repayment on 30 June 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'R. Fisk' in a cursive, stylized font.

Ryan Fisk
Partner
Sydney
28 February 2021