



ASX ANNOUNCEMENT

3 May 2021

QUARTERLY REPORT – JANUARY TO MARCH 2021

TerraCom Limited (**TerraCom** or **Company**) (ASX: TER) presents its quarterly activities report for the 3 months ending 31 March 2021 (**March Quarter**).

Q3 HIGHLIGHTS

- ✓ The first ever full shipment of thermal coal from the South African North Block Colliery (**NBC**) sailed during March 2021. The Company now looks forward to continuing to increase its export sales mix from South Africa (**SA**) to deliver on its new export strategy.
- ✓ Operational control has been re-established over the Company's South African operations. The Group is on track to deliver operational improvements and bolster financial performance.
- ✓ The demand levels for Eskom have stabilised and the Company is forecasting that all South African operations should deliver according to contracted quantities for the remainder of the 2021 financial year.
- ✓ The Blair Athol (**BA**) EBITDA margin realised throughout March 2021 quarter was A\$15.5 per tonne. Based on current coal pricing, the margin is forecasted to increase to be between A\$25 and A\$30 per tonne for the June 2021 quarter.
- ✓ The stronger domestic power generation demand in SA, combined with the increased export volumes is set to deliver a total sales volume of 9.4 million tonnes for the current financial year, consistent with FY2020.

Q3 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- The Operating EBITDA¹ from the Australia and South Africa Business Units (including other equity holders) for the March 2021 quarter was as follows:

| | Australia | South Africa |
|-----------------------------|-----------|--------------|
| EBITDA (AUD \$000's) | \$8,241 | \$6,442 |
| EBITDA (AUD\$ / Sold Tonne) | \$15.5 | \$3.8 |

¹ Non IFRS measure. Based on management accounts. The data presented represents 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the mines ranges from 48.9% to 70.5%. The data presented does not include the TerraCom corporate costs.

- Operating EBITDA was reduced by \$1.8M for the March quarter due to a shipment of 75kt in the forecast (@ US\$60/t) scheduled for 28 March departure which was delayed until early April due solely to offsite rail and port network delays as 50% of the cargo was available at the port and the balance was ready for dispatch at the mine.
- Average achieved coal pricing for BA during Q3 FY2021 was approximately A\$77 per tonne, representing an increase of almost 30% from the average price achieved during the six-month period to December 2020 of A\$59 per tonne.
- Consistent total group coal sales reported for Q3 FY2021.

| | MANAGED TONNES ² | | | EQUITY TONNES ³ | | |
|--------------|-----------------------------|---------------------|------------------|----------------------------|---------------------|------------------|
| | Export (000's) | Domestic (000's) | Total (000's) | Export (000's) | Domestic (000's) | Total (000's) |
| Australia | 532 | - | 532 | 532 | - | 532 |
| South Africa | 409 | 1,287 | 1,696 | 200 | 664 | 865 |
| Total | 941 | 1,287 | 2,228 | 733 | 664 | 1,397 |

- Forecast total coal sales for the 2021 financial year remains at approximately 9.4 million tonnes, consistent with FY2020, despite the impacts of COVID-19 on industry and domestic power generation in SA.

| | MANAGED TONNES ² | | | | EQUITY TONNES ³ | | | |
|--------------|-----------------------------|---------------------|------------------|--------------------------|----------------------------|---------------------|------------------|--------------------------|
| | Export (000's) | Domestic (000's) | Total (000's) | Annualised (Millions) | Export (000's) | Domestic (000's) | Total (000's) | Annualised (Millions) |
| Australia | 1,737 | - | 1,737 | 2.41 | 1,737 | - | 1,737 | 2.41 |
| South Africa | 1,124 | 3,987 | 5,111 | 7.01 | 551 | 2,151 | 2,702 | 3.90 |
| Total | 2,861 | 3,987 | 6,848 | 9.42 | 2,288 | 2,151 | 4,439 | 6.31 |

² The data represents total tonnes and assumes 100% ownership of Universal Coal plc.

³ The data represents equity tonnes.

PRODUCTION AND SALES

MANAGED TONNES (CONTINUING OPERATIONS)

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020* | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|-----------|----------|----------|----------|----------|
| ROM Coal Production | 3,153 | 3,570 | (12%) | 3,153 | 3,187 | (1%) |
| Saleable Coal | 2,336 | 2,391 | (2%) | 2,336 | 2,390 | (2%) |
| Coal Sales | 2,228 | 2,404 | (7%) | 2,228 | 2,220 | 0% |
| Inventory (ROM) | 293 | 549 | (47%) | 293 | 513 | (42%) |
| Inventory (Saleable) | 354 | 224 | 58% | 354 | 352 | (1%) |

* Comparative periods assume 100% ownership of Universal Coal plc

EQUITY TONNES (CONTINUING OPERATIONS)

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020* | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|-----------|----------|----------|----------|----------|
| ROM Coal Production | 1,901 | 2,257 | (16%) | 1,901 | 1,92 | (1%) |
| Saleable Coal | 1,434 | 1,551 | (8%) | 1,434 | 1,559 | (8%) |
| Coal Sales | 1,397 | 1,597 | (13%) | 1,397 | 1,371 | (2%) |
| Inventory (ROM) | 165 | 355 | (54%) | 165 | 283 | (42%) |
| Inventory (Saleable) | 224 | 169 | 32% | 224 | 252 | (11%) |

* Comparative periods assume 100% ownership of Universal Coal plc

OPERATIONS

AUSTRALIA BUSINESS UNIT

Blair Athol (BA) – 100% EQUITY INTEREST

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020 | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| <i>ROM Coal Production</i> | 645 | 679 | (5%) | 645 | 550 | 17% |
| <i>Saleable Coal</i> | 514 | 550 | (7%) | 514 | 573 | (10%) |
| <i>Coal Sales</i> | 532 | 630 | (15%) | 532 | 585 | (9%) |
| <i>Inventory (ROM)</i> | 42 | 94 | (56%) | 42 | 35 | 18% |
| <i>Inventory (Saleable)</i> | 99 | 101 | (2%) | 99 | 121 | (18%) |

BA coal sales were impacted by one delayed shipment (75kt) due to external factors. The mine had the saleable coal inventory on hand at the end of the quarter. Notwithstanding this, BA has contracted coal sales for the June 2021 quarter of 675,000 tonnes (representing an annualised run rate of 2.7Mtpa) and is therefore forecasted to deliver coal sales of 2.41 million tonnes in the 2021 Financial Year.

| March 2021 Quarter ⁴ | A\$'000 Total | A\$ per Sold Tonne |
|---------------------------------|---------------|--------------------|
| <i>Revenue</i> | 40,977 | 77.0 |
| <i>Costs</i> | (32,736) | (61.5) |
| <i>EBITDA</i> | 8,241 | 15.5 |

Under its owner managed operational model, the BA mine in Queensland continues to deliver, trading on a significantly reduced and sustained Free on Board (**FOB**) operating cost base compared to the 2020 financial year. This places the Blair Athol mine in the first quartile of seaborne export FOB operating costs per tonne.

Average achieved coal pricing for BA during Q3 FY2021 was approximately A\$77 per tonne, representing an increase of almost 30% from the average price achieved during the six-month period to December 2020 of A\$59 per tonne.

⁴ Non IFRS measure. Based on management accounts.

SOUTH AFRICA

Kangala Colliery – 70.5% EQUITY INTEREST

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020* | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|-----------|----------|----------|----------|----------|
| ROM Coal Production | 126 | 751 | (83%) | 126 | 391 | (68%) |
| Saleable Coal | 128 | 490 | (74%) | 128 | 444 | (71%) |
| Coal Sales | 157 | 465 | (66%) | 157 | 332 | (53%) |
| Inventory (ROM) | - | 120 | (100%) | - | 64 | (100%) |
| Inventory (Saleable) | - | 50 | (100%) | - | 86 | (100%) |

* Comparative periods assume 100% ownership of Universal Coal Plc

The Kangala colliery officially reached the end of its resource life in January 2021. The extension of the Kangala complex is the development of the Eloff mining lease, which runs contiguously to the existing Kangala lease. The extension into Eloff is a low capex development due to the ability for Eloff to utilise the existing Kangala infrastructure (including the CHPP).

The Eloff Project is fully regulated and now awaits the finalisation of the domestic off-take agreement with Eskom to recommence development and production from the current Kangala pit into the Eloff resource.

During the pause in mining the Company has successfully implemented cost saving initiatives and has engaged various short term toll washing agreements to sustain the plant and contribute to some of the fixed cost overhead recovery of the colliery.

New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020* | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|-----------|----------|----------|----------|----------|
| ROM Coal Production | 1,019 | 1,065 | (4%) | 1,019 | 1,110 | (8%) |
| Saleable Coal | 619 | 744 | (17%) | 619 | 643 | (4%) |
| Coal Sales | 577 | 702 | (18%) | 577 | 633 | (9%) |
| Inventory (ROM) | 80 | 113 | (29%) | 80 | 114 | (30%) |
| Inventory (Saleable) | 50 | 51 | (2%) | 50 | 56 | (12%) |

* Comparative periods assume 100% ownership of Universal Coal Plc

NCC has welcomed a 24% increase in domestic quality sales as the demand for Eskom has gradually improved over the quarter. During the quarter, the colliery reached 95% of its contracted sales volumes to Eskom and is now well placed to deliver monthly contracted volumes to Eskom during the June 2021 quarter.

The export volumes at NCC remained stable in comparison to the previous quarter despite the South African export logistics chain experiencing some unforeseen logistical restrictions outside of the Company's control.

The March 2020 quarter is an indicator of the potential of NCC as it is the last quarter prior to the impacts experienced as a result of the COVID-19 pandemic. During the March 2021 quarter the colliery delivered 10% more than Eskom contracted volumes (310Kt), as well as its standard (206Kt) off-take RB1 quality volumes and 67Kt of RB3 quality coal to market.

North Block Colliery (NBC) – 49% EQUITY INTEREST

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020 | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| ROM Coal Production | 1,038 | 1,008 | 3% | 1,038 | 720 | 44% |
| Saleable Coal | 691 | 784 | (12%) | 691 | 470 | 47% |
| Coal Sales | 677 | 753 | (10%) | 677 | 532 | 27% |
| Inventory (ROM) | 119 | 95 | 25% | 119 | 173 | (31%) |
| Inventory (Saleable) | 151 | 50 | >100% | 151 | 36 | >100% |

* Comparative periods assume 100% ownership of Universal Coal Plc

As previously communicated, NBC has increased its Coal Handling & Preparation Plant circuit capacity to allow for the ramp up of production output to approximately 4Mtpa.

Over the last few months, the Company has been diligently working to increase the South African export quantities and during March 2021 the first full shipment of thermal coal in the history of Universal sailed from NBC.

The very first complete shipment is a significant milestone for the South African operations and the newly established export path to market provides the platform for further growth opportunities for the Company.



Image: Coal stockpile prior to loading at TCM Matola Terminal, Maputo Port, Mozambique.

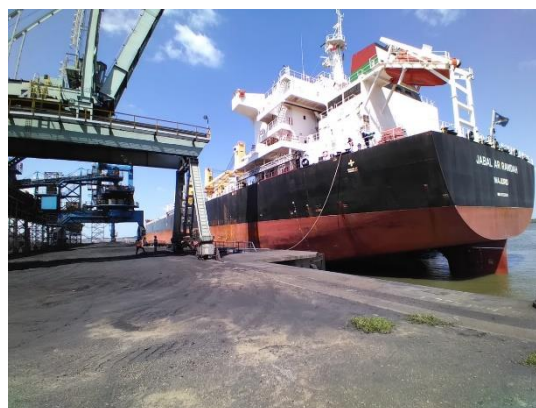


Image: ship berthed part way through loading.



Image: reclaimer taking coal for loading on the ship.



Image: ship leaving TCM Matola Terminal, Maputo Port, Mozambique following completion of loading.

Ubuntu Colliery – 48.9% EQUITY INTEREST

| Thousands of tonnes (kt) | Mar 2021 | Mar 2020* | Change % | Mar 2021 | Dec 2020 | Change % |
|-----------------------------|----------|-----------|----------|----------|----------|----------|
| ROM Coal Production | 325 | 180 | 80% | 325 | 417 | (22%) |
| Saleable Coal | 385 | 63 | >100% | 385 | 422 | (9%) |
| Coal Sales | 284 | 56 | >100% | 284 | 399 | (29%) |
| Inventory (ROM) | 52 | 131 | (60%) | 52 | 126 | (59%) |
| Inventory (Saleable) | 54 | 9 | >100% | 54 | 53 | 2% |

* Comparative periods assume 100% ownership of Universal Coal Plc

The Ubuntu colliery achieved 97% of committed off-take sales volumes, including delivering 128Kt to Eskom on March 2021 (representing 45% of the sales for the quarter). These volumes have proven the production and delivery capacity of the operation.

| <i>March 2021 Quarter⁵</i> | <i>A\$'000 Total</i> | <i>A\$ per Sold Tonne</i> |
|---------------------------------------|----------------------|---------------------------|
| Revenue | 100,307 | 59.1 |
| Costs | (93,865) | (55.3) |
| EBITDA | 6,442 | 3.8 |

The South African operations have also increased their EBITDA during the March 2021 quarter, producing an EBITDA of A\$6.4 million (compared to a negative EBITDA for the first 6 months of the financial year). The increase is attributable to the increase in the API4 (RB1) export quality coal price.

SAFETY

SAFETY AND COVID-19

TerraCom 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.

PROJECTS AND BUSINESS DEVELOPMENT

ACQUISITION OF ANGLO AFRICAN MINERALS PLC

Work is being undertaken to finalise due diligence, including developing a full project delivery plan to first ore.

⁵ Non IFRS measure. Based on management accounts. The data presented represents 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the mines ranges from 48.9% to 70.5%.



CORPORATE

REFINANCE & GROWTH BOND PROGRAM

Management has now refined both the structure and terms of a suitable refinance package with two new parties. Whilst exact details cannot be disclosed, the process is well advanced and a combined pre-payment and term loan structure is being considered at terms of between 5-7 years and interest rates at less than 10%.

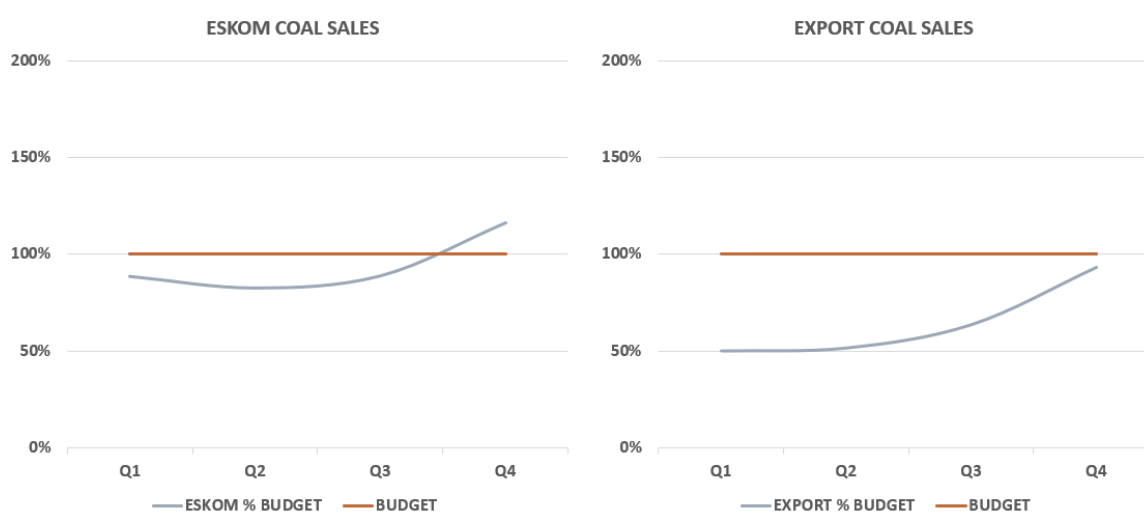
Both management and the two third parties are working towards completion of binding arrangements, long form documents and draw down in advance of the 30 June 2021 bond expiry date.

SALES OUTLOOK

Australia – Export Sales: Blair Athol has contracted coal sales for the June 2021 quarter of 675,000 tonnes (representing an annualised run rate of 2.7Mtpa).

South Africa – Export Sales: The newly established export strategy provides the platform for further growth opportunities for the Company in this market. Similar to Blair Athol, the export coal produced in South Africa is sold to both energy markets and non-energy markets (e.g. sponge iron). This provides significant flexibility when marketing the product and should allow the Company to capitalise on numerous opportunities as the export strategy continues to be advanced.

South Africa – Domestic Sales: The demand levels for Eskom have stabilised and the Company is forecasting that all South African operations should deliver according to contracted quantities for the remainder of the 2021 financial year.



BOARD & MANAGEMENT CHANGES (Post March 2021)

The following TerraCom corporate changes were effective 1 April 2021:

- Wal King retired as Chairman and tendered his resignation due to personal health reasons.
- Craig Ransley moved to the role of Executive Chairman.
- Danny McCarthy moved to the role of Managing Director.

As announced on 20 April 2021, the following South African key management changes have taken place:

- **Chief Executive Officer (South Africa)** - Mr. Shammy Luvhengo has tendered his resignation and will leave the business at the end of April 2021, remaining involved with the business in his capacity as a Director of Ndalamo Resources (Pty) Ltd – the partner to a number of the Company's South African operations.
- **Chief Operating Officer (South Africa)** - Mr. Tony Weber was engaged on a fixed term contract which expired at the end of March 2021. Mr Weber remains in a consulting role to ensure an orderly handover to the new COO, Mr. Zirk Van Der Bank.
- Mr. Van Der Bank will commence on 3 May and has a proven track record in successfully managing multiple mining operations to deliver superior production and financial results and will oversee the four operations within the SA business.

MINING TENEMENTS HELD AT THE END OF THE QUARTER

| Operation / Project | Tenement | Interest at beginning of quarter | Interest at end of quarter | Location | Commodity |
|--------------------------------------|---|----------------------------------|----------------------------|--------------|-----------|
| Kangala | MP30/5/1/2/2/429MR MP30/5/1/1/2/641PR Mining Right application MP30/5/1/1/2/10179MR | 70.5% | 70.5% | South Africa | Coal |
| New Clydesdale Colliery (NCC) | MP30/5/1/2/2/429MR | 49.0% | 49.0% | South Africa | Coal |
| North Block Complex (NBC) | MP30/5/1/2/1/326MR MP30/5/1/1/2/19MR (10068MR) MP30/5/1/2/2/10090MR | 49.0% | 49.0% | South Africa | Coal |
| Ubuntu | MP30/5/1/2/2/10027MR | 48.9% | 48.9% | South Africa | Coal |
| Eloff | MP30/5/1/2/2/10169MR | 49.0% | 49.0% | South Africa | Coal |
| Berenice | Prospecting Right (PR) LP30/5/1/1/2/376PR Mining Right: LP30/5/1/1/2/10131MR – underapplication | 50% | 50% | South Africa | Coal |
| Cygnus | LP30/5/1/1/2/1276PR Mining Right application LP30/5/1/1/2/10169MR | 50% | 50% | South Africa | Coal |
| Blair Athol | ML1804 | 100% | 100% | Australia | Coal |
| Northern Galilee (Hughenden) | EPC1300, EPC1394, EPC1477, EPC1478, EPC1641, EPC2049 | 100% | 100% | Australia | Coal |
| Northern Galilee (Pentland) | EPC1890, EPC1892, EPC1893, EPC1962, EPC1964 | 100% | 100% | Australia | Coal |
| Northern Galilee (Clyde Park) | EPC1260 | 64.4% | 64.4% | Australia | Coal |
| Springsure (Springsure) | EPC1674, MDL3002 | 90% | 90% | Australia | Coal |
| Springsure (Fernlee) | EPC1103 | 100% | 100% | Australia | Coal |



This announcement has been approved by the Board for release.

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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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