

28/02/2024

ASX Announcement

Appendix 4D and December 2023 Half Year Financial Statements

Name of entity: TerraCom Limited
ABN: 35 143 533 537
Reporting Period: For the half year ended 31 December 2023
Previous Period: For the half year ended 31 December 2022

Results for announcement to the market

			A\$'000
Revenue from ordinary activities	down	67%	141,257
Profit from ordinary activities for the half-year after income tax	down	83%	31,458
Profit for the half-year after income tax attributable to the owners of TerraCom Limited	down	82%	31,719

The Interim Consolidated Financial Report for the 6 months ended 31 December 2023 should be read in conjunction with the 2023 Annual Financial Report.

Dividends

TerraCom declared one dividend to shareholders during the six months ended 31 December 2023, details as follows:

Period	Declaration Date	Paid Date	Amount (cents per share)	Franked Amount (cents per share)
30 June 2023	31 August 2023	28 September 2023	\$0.03	\$0.03

Net Tangible Assets

Net Tangible Assets	Reporting Period (cents)	Previous Period (cents)
Net tangible assets per ordinary security	21.76	20.70

Control over entities

No change since 30 June 2023.

**Audit qualification or review**

The Interim Consolidated Financial Statements for the 6 months ended 31 December 2023 were subject to review by auditors and the review report is attached to the financial statements.

Attachments and additional information

Additional information is provided in the Interim Consolidated Financial Statements for the half year ended 31 December 2023.

This announcement has been approved by the Board for release.

For further enquiries please contact:

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About TerraCom Limited

TerraCom Limited (ASX: TER) is an Australian based mining resources company with a global footprint comprising a large portfolio of operating assets in Australia and South Africa within the coal sectors. We are a renowned low-cost producer focused on delivering exceptional outcomes from our high yielding diversified asset portfolio for its investors. To learn more about TerraCom visit terracomresources.com.



TerraCom Limited
(ABN 35 143 533 537)

**Interim consolidated financial statements for
the 6 months ended 31 December 2023**



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General information

The financial statements are presented in Australian dollars (**AUD**), which is the presentation currency of TerraCom Limited.

The functional currency of TerraCom Limited, its Australian exploration subsidiaries and United Kingdom subsidiaries is Australian dollars (**AUD**), the South African subsidiaries and associates functional currency is South African Rand (**ZAR**).

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 2024. The Directors have the power to amend and reissue the financial statements.



Corporate Directory

Interim consolidated financial statements for the 6 months ended 31 December 2023

Directors at the date of this report

Mr Mark Lochtenberg (Chairman)
Mr Danny McCarthy (Managing Director)
Mr Glen Lewis
Mr Mark Ludski
Mr David Norris

Company secretary

Ms Megan Etccl

Executive management team

Mr Danny McCarthy, Managing Director
Ms Megan Etccl, Chief Financial Officer
Mr Blair Richardson, Chief Operating 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

Auditors

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane, Queensland, 4001
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

www.terracomresources.com



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

This half-year report for the 6 months ended 31 December 2023 is for TerraCom Limited (**TerraCom** or **the Company**) and its controlled entities (collectively known as **the Group**).

1. Principal activities

The principal activity of the Group during the period was the development and operation of coal mines in Queensland, Australia and South Africa. In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the half year that have not been noted in the review of operations.

2. Directors

The following persons were directors of TerraCom Limited during the half-year reporting period and up to the date of this report. Directors were in office for this entire period unless otherwise stated:

Mr Mark Lochtenberg (Chairman)
Mr Danny McCarthy (Managing Director)
Mr Glen Lewis
Mr Craig Lyons (resigned 1 February 2024)
Mr Mark Ludski
Mr David Norris (appointed 6 October 2023)

3. Safety

The safety and wellbeing of our people is fundamental to our success. Our evolving safety culture is consistent with the Company's core values, and through strong safety leadership we create and maintain a safe workplace for all our people.

1.4 TRIFR
as at 31 December 2023

0.0 LTIFR
as at 31 December 2023

4. Dividends

Paid during the Period

Dividends of \$24 million were paid to shareholders during the half year ended 31 December 2023 (31 December 2022: \$160 million).

5. Matters subsequent to the end of the financial half-year

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2023 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.

6. 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.



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

7. Operating and Financial Review

The profit after income tax for the half-year for the Group amounted to \$31.5 million (31 December 2022: \$180.4 million), of this \$31.7 million was directly attributable to TerraCom (31 December 2022: attributable to TerraCom of \$180.8 million).

The consolidated comprehensive profit for the half-year of the Group amounted to \$31.3 million (31 December 2022: consolidated profit of \$177.7 million) of this \$31.6 million was directly attributable to TerraCom (31 December 2022: profit attributable to TerraCom of \$178.1 million).

Highlights

Production results achieved for the 6 months ended 31 December 2023:

- Run of mine production 4.8 million tonnes (31 December 2022: 6.2 million tonnes)*.
- Coal sales 3.6 million tonnes (31 December 2022: 4.4 million tonnes)*.

Financial results for the TerraCom Group achieved for the 6 months ended 31 December 2023:

- Revenue from operations of \$141.3 million (31 December 2022: \$430.3 million), representing a 67% decrease on the prior corresponding period.
- Earnings before interest, tax, depreciation, and amortisation (**EBITDA**) of \$48.3 million (31 December 2022: \$255.9 million).

* Total tonnes disclosed throughout this report assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49%. Equity tonnes disclosed throughout this report represents the tonnes attributable to TerraCom's equity ownership.

Financial Performance

Profit and Loss	31 December 2023	31 December 2022	Variance (%)
Revenue	\$141.3 m	\$430.3 m	(67%)
EBITDA ¹	\$48.3 m	\$255.9 m	(81%)
Profit after tax	\$31.5 m	\$180.4 m	(83%)
Profit after tax (attributable to TerraCom)	\$31.7 m	\$180.8 m	(82%)
Diluted earnings (loss) per share	3.96 cents	22.65 cents	(83%)
Net cash from operating activities	(\$3.9 m)	\$201.1 m	(>100%)
Balance Sheet	31 December 2023	30 June 2023	Variance (%)
Cash and cash equivalents	\$16.6 m	\$44.0 m	(62%)
Restricted cash	\$58.2 m	\$66.9 m	(13%)
Trade Payables	\$28.2 m	\$39.1 m	(28%)

¹ EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS), and it is unaudited. The directors use EBITDA as a key financial metric to assess the financial performance of Group's operations, and it is a financial metric commonly used by shareholders and capital markets participants. Refer below for the reconciliation of net profit after tax to EBITDA.



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

Financial Performance (continued)

	31 December 2023 \$ '000	31 December 2022 \$ '000
Profit after income tax expense	31,458	180,438
Depreciation and amortisation expense	8,818	7,362
Finance income	(1,255)	(1,552)
Finance expenses	60	600
Income tax expense	9,206	69,083
EBITDA	48,287	255,931

The Group generated earnings before interest, tax, depreciation, and amortisation (**EBITDA**) of \$48.3 million for the financial half-year ended 31 December 2023. EBITDA was down \$207.6 million on the prior corresponding period.

Earnings after tax attributable to TerraCom was \$31.7 million, down \$149.1 million (82%) on the prior corresponding period.

Cash and cash equivalents was \$16.6 million (30 June 2023: \$44.0 million), and restricted cash of \$58.2 million (30 June 2023: \$66.9 million).

Operational Overview

Operations	Commodity	Production Mtpa ROM	Life of Mine
Australia			
Blair Athol	Thermal Coal	2.5	Approximately 8-9 years at current operational run rate
South Africa[#]			
NCC	Thermal Coal	4.8	12 years *
NBC	Thermal Coal	5.1	8 years *

(#) subject to coal sales contracts

(*) JORC Reserves only, not considering conversion of JORC Resources to JORC Reserves, subject to Eskom CSA renewal

Operational Summary

Review of continuing operations – Consolidated (Total tonnes) *

	HY2024 (kt)	HY2023 (kt)	Movement %
ROM coal production	4,777	6,125	(22%)
Saleable coal	3,582	4,389	(18%)
Coal sales	3,559	4,396	(19%)
Inventory (ROM)	350	376	(7%)
Inventory (Saleable)	292	215	36%

* The data represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49.0%.



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

Operational Summary (continued)

Review of continuing operations – Consolidated (Equity tonnes) *

	HY2024	HY2023	Movement
	(kt)	(kt)	%
ROM coal production	2,865	3,645	(21%)
Saleable coal	2,155	2,647	(19%)
Coal sales	2,174	2,640	(18%)
Inventory (ROM)	185	207	(11%)
Inventory (Saleable)	162	129	26%

* The data represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.

Review of operations – Mine by Mine

Australia – 100% Equity Interest

Blair Athol Mine

	HY2024	HY2023	Movement
	(kt)	(kt)	%
ROM coal production	1,028	1,263	(19%)
Saleable coal	784	973	(19%)
Coal sales	844	952	(11%)
Inventory (ROM)	26	45	(42%)
Inventory (Saleable)	38	46	(17%)

The Australian Business Unit comprises one operational mine, the flagship Blair Athol (**BA**) Coal Mine located in Clermont, Queensland (as well as a large portfolio of exploration and evaluation assets predominantly located in the Northern Galilee coal region).

The run of mine production at BA in Queensland is approximately 2.5 million tonnes per annum and the life of mine is approximately 8-9 years at the current operational run rate and we have a number of potential near mine expansion opportunities which could see Blair Athol utilised as a processing precinct for many decades to come. Thermal coal from BA is exported primarily to Japan, South Korea power generation markets and into the Indian sponge iron market.

For the 6 months ended December 2023 BA achieved coal sales of 844kt. During the last quarter, the operation was impacted by a geological event, significant rainfall in November, reliability issues with a primary production excavator and challenges associated with logistics network scheduling. Despite these recent challenges, sales guidance for the BA operation is 1.8Mt – 2.0Mt for the 12 months ending 30 June 2024.



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

Operational Summary (continued)

South Africa

Note: tonnes shown in the tables below for the South African operations represent total tonnes i.e.100% from each operation

New Clydesdale Colliery (NCC) - 49% Equity Interest

	HY2024 (kt)	HY2023 (kt)	Movement %
ROM coal production	1,745	1,923	(9%)
Saleable coal	1,137	1,247	(9%)
Coal sales	1,113	1,337	(17%)
Inventory (ROM)	176	150	17%
Inventory (Saleable)	225	59	>100%

New Clydesdale Colliery (**NCC**) is a multi-product open cast and underground mine with the ability to produce domestic and export quality product.

NCC has a 1.6Mt per annum offtake agreement with Eskom¹, South Africa's largest power generator, until 2024 and an export offtake for 650Kt per annum with a global trader.

The colliery performed well during the 6 months to December 2023, achieving 1.1Mt total coal sales, a decrease of 17% on the prior corresponding reporting period. Despite ongoing logistics constraints, the colliery managed export sales of 252kt for the reporting period and the colliery remains focused on increasing its export sales to capitalise on the continued attractive export coal pricing.

North Block Complex (NBC) - 49% Equity Interest

	HY2024 (kt)	HY2023 (kt)	Movement %
ROM coal production	2,004	2,260	(11%)
Saleable coal	1,661	1,624	2%
Coal sales	1,602	1,675	(4%)
Inventory (ROM)	148	151	2%
Inventory (Saleable)	29	71	(59%)

North Block Complex (**NBC**) produces both a domestic and export thermal coal product with the colliery achieving annualised ROM production of approximately 2 million tonnes per annum. NBC has a 2.4 million tonnes per annum offtake agreement with Eskom until 2030.

Export sales have continued to improve at NBC, particularly with the introduction on the new RB4 market established in September 2022. Like NCC, TerraCom continues to try and expand its export capabilities and is using alternate supply chain methods (trucking) due to ongoing constraints with the rail system in South Africa, which continue to impact the entire industry.

Sales by NBC to Eskom during the last few months of the reporting period were negatively impacted due to extensive rainfall at the colliery.

¹ Eskom contracts are subject to total energy delivered over the contract term. This could result in the Eskom contract expiring before the end of the term disclosed.



Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2023

Operational Summary (continued)

Ubuntu - 49% Equity Interest

	HY2024 (kt)	HY2023 (kt)	Movement %
ROM coal production	-	678	(100%)
Saleable coal	-	545	(100%)
Coal sales	-	432	(100%)
Inventory (ROM)	-	30	(100%)
Inventory (Saleable)	-	39	(100%)

As previously communicated to shareholders, the Coal Supply Agreement (**CSA**) between Ubuntu and Eskom concluded on 31 December 2022. The CSA has not been renewed and the colliery is currently winding down operations with it expected to go on care and maintenance during the March 2024 Quarter. Notwithstanding this, the colliery continues to explore other coal sales opportunities.

Given the level of production and sales, the shifting of Ubuntu into care and maintenance will not have a material impact on the ongoing financial performance of the South African Business Unit.

8. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* 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 (Cth)*.

Signed on behalf of the Directors

Mark Lochtenberg
Non-Executive Chairman

Danny McCarthy
Managing Director

Sydney
28 February 2024



Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF TERRACOM LIMITED

As lead auditor for the review of TerraCom Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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 period.

R M Swaby

Director

BDO Audit Pty Ltd

Brisbane, 28 February 2024



Interim consolidated statement of profit or loss and other comprehensive income for the 6 months ended 31 December 2023

		31 December 2023	31 December 2022
	Note	\$ '000	\$ '000
Revenue	2	141,257	430,324
Cost of goods sold	2	(97,680)	(192,710)
Gross profit		43,577	237,614
Other operating and administration expenses	3	(7,372)	(13,002)
Net foreign exchange gain		438	75
Share of profit of investments accounted for using the equity method	10	11,644	31,244
Depreciation and amortisation expense	2	(8,818)	(7,362)
Finance income		1,255	1,552
Finance expenses	4	(60)	(600)
Profit before taxation		40,664	249,521
Income tax expense		(9,206)	(69,083)
Profit after taxation		31,458	180,438
Profit attributable to:			
Owners of TerraCom Limited		31,719	180,845
Non-controlling interest		(261)	(407)
		31,458	180,438
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(139)	(2,777)
Other comprehensive income net of taxation		31,319	177,661
Total comprehensive income attributable to:			
Owners of TerraCom Limited		31,579	178,105
Non-controlling interest		(260)	(444)
		31,319	177,661
Earnings per share for profit attributable to the owners of TerraCom Limited			
Basic earnings per share (cents)		3.96	22.65
Diluted earnings per share (cents)		3.96	22.65

The above interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



Interim consolidated statement of financial position as at 31 December 2023

		31 December 2023	30 June 2023
	Note	\$ '000	\$ '000
Assets			
Current Assets			
Cash and cash equivalents		16,609	44,032
Trade and other receivables	5	33,363	19,109
Inventories	6	9,991	15,566
		59,963	78,707
Non-Current Assets			
Trade and other receivables	5	4,628	5,933
Restricted cash	7	58,219	66,946
Investments accounted for using the equity method	10	88,868	79,934
Other financial assets		2,597	2,661
Property, plant and equipment	8	89,609	90,972
Exploration and evaluation assets	9	14,372	14,366
Other non-current assets		17,205	16,685
		275,498	277,497
Total Assets		335,461	356,204
Liabilities			
Current Liabilities			
Trade and other payables		28,241	39,144
Current tax liability		48,357	64,396
Borrowings	11	2,815	2,786
Lease liabilities		782	1,017
Provisions	12	5,722	6,490
		85,917	113,833
Non-Current Liabilities			
Borrowings	11	2,096	3,469
Deferred tax		11,334	9,273
Provisions	12	61,804	61,780
		75,234	74,522
Total Liabilities		161,151	188,355
Net Assets		174,310	167,849



Interim consolidated statement of financial position as at 31 December 2023

	31 December 2023	30 June 2023
Note	\$ '000	\$ '000
Equity		
Issued capital	376,011	376,011
Reserves	21,959	22,927
Accumulated losses	(223,916)	(231,605)
Total equity attributable to the owners of TerraCom Limited	174,054	167,333
Non-controlling interest	256	516
Total equity	174,310	167,849

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



Interim consolidated statement of changes in equity for the 6 months ended 31 December 2023

	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Share based payments / options reserve \$ '000	Accumulated profit/ (losses) \$ '000	Total Equity Attributable to the owners of TerraCom Limited \$ '000	Non- controlling interest \$ '000	Total equity \$ '000
Balance at 01 July 2022	373,203	21,995	-	(249,692)	145,506	119	145,625
Profit for the half-year after income tax	-	-	-	180,845	180,845	(407)	180,438
Other comprehensive income	-	(2,740)	-	-	(2,740)	(37)	(2,777)
Total comprehensive loss for the 6 months	-	(2,740)	-	180,845	178,105	(444)	177,661
Dividends paid to shareholders of TerraCom Limited	-	-	-	(159,906)	(159,906)	-	(159,906)
Share issue (conversion of options)	584	-	-	-	584	-	584
Share-based payments KMP (note 14)	-	-	1,544	-	1,544	-	1,544
Balance at 31 December 2022	373,787	19,255	1,544	(228,753)	165,833	(325)	165,508
Balance at 01 July 2023	376,011	22,099	828	(231,605)	167,333	516	167,849
Profit for the half-year after income tax	-	-	-	31,719	31,719	(261)	31,458
Other comprehensive income	-	(140)	-	-	(140)	1	(139)
Total comprehensive income for the 6 months	-	(140)	-	31,719	31,579	(260)	31,319
Dividends paid to shareholders of TerraCom Limited (note 15)	-	-	-	(24,030)	(24,030)	-	(24,030)
Share-based payments KMP (note 14)	-	-	(828)	-	(828)	-	(828)
Balance at 31 December 2023	376,011	21,959	-	(223,916)	174,054	256	174,310

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



Interim consolidated statement of cashflows for the 6 months ended 31 December 2023

	31 December 2023	31 December 2022
Note	\$ '000	\$ '000
Cash flows from operating activities		
Cash receipts from customers (inclusive of GST/VAT)	143,036	408,546
Cash paid to suppliers and employees (inclusive of GST/VAT)	(128,483)	(191,767)
Dividends received from associates	5,062	28,880
Interest received	970	2,029
Tax payments made	(23,974)	(44,849)
Interest and other finance costs paid	(519)	(1,709)
Net cash used in operating activities	(3,908)	201,130
Cash flows from investing activities		
Payments for property plant and equipment	(7,451)	(6,633)
Proceeds from sale of property, plant and equipment	-	50
Contribution to rehab insurance collateral	-	(5,967)
Release from restricted cash	8,207	-
Other assets investments	(1,200)	-
Repayments from associates	936	26,273
Loan to associates	-	(58)
Net cash from investing activities	492	13,665
Cash flows from Financing activities		
Dividends paid to shareholders of TerraCom Limited	(24,030)	(159,906)
Proceeds from issue of shares	-	583
Repayment of borrowings	(1,036)	(26,273)
Repayment of principal component of lease liabilities	(265)	(349)
Net cash used in financing activities	(25,331)	(185,945)
Total cash movement for the half year	(28,747)	28,850
Cash at the beginning of the half year	44,032	69,572
Effect of exchange rate movement on cash equivalents	1,324	569
Total cash at end of half year	16,609	98,991

The above interim consolidated statement of cashflows should be read in conjunction with the accompanying notes.



Notes to the interim consolidated financial statements

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements cover TerraCom Limited as a consolidated entity consisting of TerraCom Limited and the entities it controlled at the end of, or during, the year. TerraCom Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Basis of preparation

The financial statements for the half-year ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*. 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 2023 and any public announcements made by the Company during the interim reporting period.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, except for the policies stated below.

The interim financial statements have been prepared on an accrual basis and are based on historical costs.

Functional Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the **functional currency**). The consolidated financial statements are presented in Australian dollars (AUD), which is TerraCom Limited's presentation currency. The functional currency of TerraCom Limited and the Australian and the United Kingdom subsidiaries are Australian dollars (AUD), the South African subsidiaries are South African Rand (ZAR).

Going Concern

The half-year financial statements have 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 2023, the Group had a net current asset deficiency of \$25.954 million (30 June 2023: \$35.126 million).

During the period, the Group generated a profit after tax of \$31.458 million and cash outflows from operating activities of \$3.908 million, driven by buoyant thermal coal prices and continued strong demand for our product.

The Group is now largely debt free, with the exception of a \$4.896 million loan held by the Group's wholly owned South African subsidiary, Universal Coal Energy Holdings South Africa (**UCEHSA**), which has on-lent the funds to the now deconsolidated South African operations.

The Group is expected to realise its assets and settle its liabilities in the ordinary course of business for at least the 12 months from the date of this financial report, and therefore in the directors' opinion, the going concern basis of preparation remains appropriate.



Notes to the interim consolidated financial statements

1. Significant accounting policies (continued)

Critical accounting estimates and judgments

The preparation of the half-year financial statements requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

In preparing the half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 annual report.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period. The adoption of these new or amended Accounting Standards and Interpretations did not have a material impact to the interim consolidated financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these new or amended Accounting Standards or Interpretations will not materially impact the interim consolidated financial statements on adoption dates.

2. Operating segments

Identification of reportable operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (**CODM**). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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 Coal exploration and extraction activities in South Africa
- Corporate Various business development and support activities that are not allocated to operating segments.

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

Accounting policies adopted

All amounts reported to the Board of Directors, being the CODM 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 reporting date. In addition, corporate re charges were allocated to the reporting segments.



Notes to the interim consolidated financial statements

2. Operating segments (continued)

Major customers

During the period ended 31 December 2023 the Group's external revenue was derived from sales to the following customers:

	Half-Year 31 December 2023		Half-Year 31 December 2022	
	\$ '000	%	\$ '000	%
Itochu	41,389	29%	105,897	25%
Vitol	19,130	14%	131,153	30%
Other Customers	80,738	57%	193,274	45%
Total	141,257	100%	430,324	100%

	Australia \$'000	South Africa \$ '000	Unallocated / Corporate \$ '000	Total \$ '000
Consolidated – Half-year 31 December 2023				
Revenue				
Sales to external customers *	141,257	-	-	141,257
Cost of goods sold	(96,513)	(1,167)	-	(97,680)
Gross Profit	44,744	(1,167)	-	43,577
Other operating and administration expenses	(552)	(872)	(5,948)	(7,372)
Net foreign exchange gain	251	(1)	188	438
Share of profit of associates accounted for using the equity method	-	11,644	-	11,644
Depreciation and amortisation expense	(8,733)	(71)	(14)	(8,818)
Net finance income	625	444	126	1,195
Profit before taxation	36,335	9,977	(5,648)	40,664
Profit before taxation				40,664
Income tax expense				(9,206)
Profit after taxation				31,458

Consolidated - 31 December 2023

Assets

Segment assets	216,939	118,522	-	335,461
Total assets	216,939	118,522	-	335,461

Liabilities

Segment liabilities	146,004	15,147	-	161,151
Total liabilities	146,004	15,147	-	161,151

* Reduction in revenue relates to decrease in coal price from an average of A\$450 per tonne during half-year ended 31 December 2022 to A\$169 per tonne during half-year ended 31 December 2023. Another factor contributing to the reduction in revenue is the decrease in coal sales tonnes with 844kt reported during half-year ended 31 December 2023 and 952kt reported in the prior corresponding period.



Notes to the interim consolidated financial statements

2. Operating segments (continued)

	Australia \$'000	South Africa \$'000	Unallocated / Corporate \$'000	Total \$'000
Consolidated – Half-year 31 December 2022				
Revenue				
Sales to external customers	428,158	2,166	-	430,324
Cost of goods sold	(191,084)	(1,626)	-	(192,710)
Gross Profit	237,074	540	-	237,614
Other operating and administration expenses	(3,627)	(1,413)	(7,962)	(13,002)
Net foreign exchange gain	-	-	75	75
Share of profit of associates accounted for using the equity method	-	31,244	-	31,244
Depreciation and amortisation expense	(7,177)	(173)	(12)	(7,362)
Net finance income	65	731	156	952
Profit / (loss) before taxation	226,335	30,929	(7,743)	249,521
Profit before taxation				249,521
Income tax expense				(69,083)
Profit after taxation				180,438
Consolidated – 30 June 2023				
Assets				
Segment assets	239,011	117,193	-	356,204
Total assets	239,011	117,193	-	356,204
Liabilities				
Segment liabilities	172,301	16,054	-	188,355
Total liabilities	172,301	16,054	-	188,355

3. Other operating and administration expenses

	31 December 2023 \$ '000	31 December 2022 \$ '000
Other operating and administration expenses	2,763	4,741
Consultant and professional fees	908	1,767
Employee benefits excluding superannuation expense	3,575	6,381
Superannuation expense	126	113
	7,372	13,002



Notes to the interim consolidated financial statements

4. Finance expenses

	31 December 2023 \$ '000	31 December 2022 \$ '000
Interest expense on interest bearing loans	7	22
Other interest and finance expenses	53	578
Total finance expenses	60	600

5. Trade and other receivables

	31 December 2023 \$ '000	30 June 2023 \$ '000
Trade receivables	11,252	9,112
Loan receivables – related parties	4,895	6,246
Long service leave receivable	2,532	2,464
Prepayments	10,220	183
Other receivables	9,092	7,037
Total trade and other receivables	37,991	25,042

The trade receivables balance relates to an outstanding amount with a long-standing customer. Given the well-established history with the customer, there is no credit loss expected.

Increase in prepayments relates to a fee of \$10 million paid to third party provider for assignment of port and rail capacity which covers the period to 1 January 2024 to 31 December 2025.

	31 December 2023 \$ '000	30 June 2023 \$ '000
Split between current and non-current portions:		
<u>Current</u>		
Trade receivables	11,252	9,112
Loan receivables – related parties	2,799	2,777
Prepayments	10,220	183
Other receivables	9,092	7,037
Total trade and other receivables – current	33,363	19,109
<u>Non-Current</u>		
Loan receivables – related parties	2,096	3,469
Long service leave receivable	2,532	2,464
Total trade and other receivables – non-current	4,628	5,933
	37,991	25,042



Notes to the interim consolidated financial statements

6. Inventories

	31 December 2023 \$ '000	30 June 2023 \$ '000
Coal Stock	4,157	9,646
Consumables and stores	5,834	5,920
Total inventories	9,991	15,566

Decrease in coal stock from prior period relates to lower production during the half-year ended 31 December 2023.

7. Restricted cash

	31 December 2023 \$ '000	30 June 2023 \$ '000
Bank deposit	28	28
Secured deposit	58,191	66,918
Total restricted cash	58,219	66,946

The bank deposit relates to a \$0.03 million of standby equity and security for financial and supplier guarantees provided by financial institutions on behalf of the Group's South African operations.

The secured deposit relates to the cash pledged as security for the issuance of insurance bond 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 security deposit was reduced by \$8 million to align with the estimated rehabilitation cost decision notification received on 3 July 2023 to \$58,190,514. The security deposit is held by Westpac, which at reporting date was bearing an interest rate of 5.20% per annum.

8. Property, plant and equipment

	31 December 2023 \$ '000	30 June 2023 \$ '000
Property, plant and equipment	89,609	90,972



Notes to the interim consolidated financial statements

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 31 December 2023

	Opening balance \$ '000	Additions \$ '000	Disposals \$ '000	Transfers \$ '000	Derecogn- ition \$ '000	Change in Estimate \$ '000	Exchange differences \$ '000	Deprecia- tion \$ '000	Total \$ '000
Land and buildings	6,331	-	-	-	-	-	-	-	6,331
Plant and equipment	22,491	-	-	2,318	-	-	1	(3,323)	21,487
Mine development	56,641	-	-	13	-	-	(3)	(5,237)	51,414
Right-of-use assets - land and buildings	42	-	-	-	-	-	1	(43)	-
Right-of-use assets - plant and equipment	965	-	-	-	-	-	-	(215)	750
Capital - work in progress	4,502	7,455	-	(2,331)	-	-	1	-	9,627
	90,972	7,455	-	-	-	-	-	(8,818)	89,609

9. Exploration and evaluation assets

	31 December 2023 \$ '000	30 June 2023 \$ '000
Exploration and evaluation	14,372	14,366

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

	Opening balance \$ '000	Additions \$ '000	Exchange differences \$ '000	Total \$ '000
Exploration and evaluation	14,366	-	6	14,372



Notes to the interim consolidated financial statements

10. Investment in associates

Investments account for using the equity method

	Consolidated	
	31 December 2023	30 June 2023
	\$ '000	\$ '000

Non-current assets

Investment in Associates	88,868	79,934
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	31 December 2023
	\$ '000

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Carrying amount at beginning of financial year	79,934
Share of profit/(loss) ^	11,644
Effect of foreign exchange	552
Dividends paid	(5,062)
Transfer of investments previously held as FVTPL *	1,800
Closing carrying amount	88,868

[^] Share of profit/(loss) for the half-year ended 31 December 2022 was \$31.2 million. The reduction to \$11.6 million during the half-year ended 31 December 2023 is attributable to reduction in coal tonnage and average coal price achieved. During half-year ended 31 December 2022, Ubuntu was still in operation and transitioned to care and maintenance during the March 2023 quarter.

^{*} Transfer of investment previously held as FVTPL relates to an increase in investment from 16.67% to 37.5% during the half-year. There are no revenues generated at this stage as the project is in developmental phase.



Notes to the interim consolidated financial statements

10. Investment in associates (continued)

Summarised statement of financial position as at 31 December 2023 for South Africa operations *

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu ^	UCD8	Total
	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Current assets							
Cash and cash equivalents	10,209	-	-	9,834	223	7	20,273
Other current assets	18,480	12	-	32,824	14,859	29	66,204
Total current assets	28,689	12	-	42,658	15,082	36	86,477
Non-current assets	78,871	4,194	795	71,765	7,833	96	163,554
Current liabilities							
Financial liabilities (excluding trade payables)	652	-	-	2,145	-	-	2,797
Other current liabilities	17,640	90	70	10,297	14,602	29	42,728
Total current liabilities	18,292	90	70	12,442	14,602	29	45,525
Non-current liabilities							
Financial liabilities (excluding trade payables)	487	-	-	1,610	-	-	2,097
Other non-current liabilities	51,943	-	-	40,916	38,646	-	131,505
Total non-current liabilities	52,430	-	-	42,526	38,646	-	133,602
Net assets	36,838	4,116	725	59,455	(30,333)	103	70,904
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$	18,050	2,058	363	29,133	-	51	49,655
Goodwill	2,535	2,781	618	31,479	-	-	37,413
Carrying amount	20,585	4,839	981	60,612	-	51	87,068

* Statement of financial position amounts are converted from ZAR to AUD using the spot rate as at the reporting date.

^ Losses recorded for Ubuntu are nil as they exceed the Company's interest and therefore there is no legal or constructive obligation to make payments on the associates behalf.



Notes to the interim consolidated financial statements

10. Investment in associates (continued)

Summarised statement of profit and loss and other comprehensive income as at 31 December 2023 for South Africa operations *

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu ^	UCD8	Total
	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revenue	108,200	-	-	87,855	205	-	196,260
Profit after income tax expense	8,637	(12)	(5)	15,141	(350)	-	23,411
Statutory and underlying result for the year	8,637	(12)	(5)	15,141	(350)	-	23,411
Other comprehensive income	-	-	-	-	-	-	-
Statutory total comprehensive income	8,637	(12)	(5)	15,141	(350)	-	23,411
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$	4,232	(6)	(3)	7,421	-	-	11,644

* Income statement amounts are converted from ZAR to AUD using the average rate prevailing for the relevant period.

^ Losses recorded for Ubuntu are nil as the losses exceed the Company's interest and therefore there is no legal or constructive obligation to make payments on the associates behalf.

11. Borrowings

	31 December 2023	30 June 2023
	\$ '000	\$ '000
Current		
Standard Bank of South Africa facilities (refer to note 13)	2,800	2,777
Hire purchase	15	9
Total borrowings - current	2,815	2,786
Non-Current		
Non-current borrowings		
Standard Bank of South Africa facilities (refer to note 13)	2,096	3,469
Total borrowings – non-current	2,096	3,469



Notes to the interim consolidated financial statements

12. Provisions

	31 December 2023 \$ '000	30 June 2023 \$ '000
Mine rehabilitation and closure	61,804	61,780
Long service leave	2,342	2,342
Annual leave	3,380	4,148
Total provisions	67,526	68,270

	30 June 2023 \$ '000	Utilised during the year \$ '000	Exchange differences \$ '000	Change in estimate \$ '000	31 December 2023 \$ '000
Mine rehabilitation and closure	61,780	-	24	-	61,804

	31 December 2023 \$ '000	30 June 2023 \$ '000
Current liabilities	5,722	6,490
Non-current liabilities	61,804	61,780
	67,526	68,270

Mine rehabilitation and closure

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the estimated life of the mine (up to 25 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. 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.

13. Related parties

Relationships	
Parent entity	TerraCom Limited is the parent entity
Associates	Interests in associates include Universal Coal Development VI (Pty) Ltd and Universal Coal Logistics (Pty) Ltd



Notes to the interim consolidated financial statements

13. Related parties (continued)

Related party transactions	6 months 31 December 2023	6 months 31 December 2022
Payment for goods and services:		
Services from Lewis Mining Consulting (director fees) - Glen Lewis	67,917	65,083
Services from Craig Lyons (director fees) *	81,250	127,500
Services from OT21 Consulting (advisory fees) - Shane Kyriakou	49,998	39,220
	199,165	231,803

* Craig Lyons resigned as a Director effective 1 February 2024

Related party balances	31 December 2023	30 June 2023
Current payables:		
Trade payables to Lewis Mining Consulting - Glen Lewis	14,667	14,667
Trade payables to Craig Lyons *	-	16,250
Universal Coal Logistics (Pty) Ltd	-	208,422
Current receivables:		
North Block Complex (Pty) (NBC) Ltd loan payable to UCEHSA	1,132,874	1,455,575
Universal Coal Development IV (Pty) (NCC) Ltd loan payable to UCEHSA	3,728,720	4,790,854

* Craig Lyons resigned as a Director effective 1 February 2024

Loan receivable

The loan receivable amounts owing from NBC and NCC consists of an amount relating to the Standard Bank borrowings in the name of UCEHSA, which has been on-lent to the associates. The facility is secured against the assets of the associates.

Terms and conditions

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

14. Share based payments

Share based payments	31 December 2023	30 June 2023
At the beginning of the financial year	828	-
Share based payments expense/(write-off) during the year	(828)	2,029
Ordinary share issue	-	(1,201)
Total share based payments	-	828

On 25 July 2023, the Company cancelled performance rights to be issued to key management personnel totalling 1,447,967. A total of 1,320,325 performance rights held by Executive Key Management Personnel (**KMP**) were cancelled by agreement between the Company and the holder and settled for cash consideration. A total of 127,642 performance rights were cancelled due to requisite vesting conditions not being met.

No performance rights for the half year ended 31 December 2023 were granted to KMP under the Long Term Incentive plan.



Notes to the interim consolidated financial statements

15. Dividends paid

TerraCom declared and paid dividends totalling \$24 million to shareholders during the half year ended 31 December 2023 (2022: \$160 million), details as follows:

Period	Declaration Date	Amount (cents per share)	Franked Amount (cents per share)	Date of Payment
2023 Final Dividend	31 August 2023	\$0.03	\$0.03	12 September 2023

16. Contingent liabilities

The Group had contingent liabilities at 31 December 2023 in respect of:

On 1 March 2023, the Company announced ASIC filed proceedings in the Federal Court of Australia against the Company and current and former directors and officers of the Company, being Mr McCarthy, Mr Boom, Mr Ransley and Mr King[#].

The proceedings relate to disclosures made by the Company with respect to a former employee in early 2020. The Company has engaged lawyers and will vigorously defend the proceedings. Based on the court timetable, the next case hearing is scheduled to be held in April 2024.

Other than noted above, the Group had no other contingent liabilities at 31 December 2023.

[#] NSD176/2023 - Australian Securities and Investments Commission v TerraCom Limited ACN 143 533 537 & Ors

17. Events after the reporting period

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2023 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.



Directors' Declaration

In accordance with a resolution of the directors of TerraCom Limited, I state that in the opinion of the directors:

- a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001 (Cth)*, including
 - i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

On behalf of the board

Mark Lochtenberg
Non-Executive Chairman

Danny McCarthy
Managing Director

Sydney
28 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TerraCom Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of TerraCom Limited (the Company) and its subsidiaries (the Group), which comprises the interim consolidated statement of financial position as at 31 December 2023, the interim consolidated statement of profit or loss and other comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2023 and its 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*.

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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a faint, larger 'BDO' logo.

R M Swaby

Director

Brisbane, 28 February 2024