

## 1. Company details

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | TerraCom Limited                |
| ABN:              | 35 143 533 537                  |
| Reporting period: | For the year ended 30 June 2021 |
| Previous period:  | For the year ended 30 June 2020 |

## 2. Results for announcement to the market

|                                                                  |      |          | \$'000    |
|------------------------------------------------------------------|------|----------|-----------|
| Revenue from ordinary activities                                 | up   | 73.3% to | 549,007   |
| Loss after income tax                                            | down | 32.6% to | (100,834) |
| Loss for the year attributable to the owners of TerraCom Limited | down | 37.2% to | (90,325)  |

## 3. Dividends

- No dividends have been paid, recommended, or declared during the current financial year (2020: 1 cent per share).

## 4. Net tangible assets

|                                           | Previous period<br>Cents | Previous period<br>Cents<br>Restated |
|-------------------------------------------|--------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>(2.43)</u>            | <u>7.56</u>                          |

## 5. Control gained over entities

No change since 30 June 2020

## 6. Details of associates and joint venture entities

No change since 30 June 2020

## 7. Audit qualification or review

The Preliminary Financial Report is based on statutory financial statements that are in the process of being audited. Should the refinance of the Listed Euroclear Bond be completed prior to the issuing of the independent audit report, then the independent audit report is unlikely to contain a modified opinion or emphasis of matter.

## 8. Attachments

Attached is the Preliminary Financial Report of TerraCom Limited for the year ended 30 June 2021.



This announcement has been approved by the Board for release.

Craig Ransley  
Executive Chairman  
P +61 7 4983 2038

Danny McCarthy  
Managing Director  
P +61 7 4983 2038

**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](http://terracomresources.com).*

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**TerraCom Limited**

ABN 35 143 533 537

**Preliminary Financial Report  
30 June 2021**

# TerraCom Limited

## Corporate directory



### Directors

Mr Craig Ransley (Executive Chairman)  
Mr Daniel (Danny) McCarthy (Managing Director) (appointed  
1 April 2021)  
Mr Matthew Hunter  
Mr Glen Lewis  
Mr Craig Lyons (appointed 14 July 2020)  
Mr Shane Kyriakou (appointed 7 September 2020)

### Company Secretary

Ms Megan Etcell (Executive General Manager Corporate Affairs)

### Chief Financial Officer

Ms Celeste van Tonder

### Chief Commercial Officer

Mr Nathan Boom

### Registered office

Blair Athol Mine Access Road  
Clermont, Queensland, 4721  
Australia

### 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 11, 5 Martin Place  
Sydney, NSW, 2000  
Australia

### Bankers

Westpac Banking Corporation  
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](http://terracomresources.com)

# TerraCom Limited

Results Commentary for the year ended 30 June 2021



This preliminary financial report provides information on the consolidated entity (referred to hereafter as the 'Group') consisting of TerraCom Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

## 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.

## 2. Directors

At the date of this report, the Directors of the Company are:

Mr Craig Ransley, Executive Chairman  
Mr Daniel (Danny) McCarthy, Managing Director (appointed 1 April 2021)  
Mr Matthew Hunter  
Mr Glen Lewis  
Mr Craig Lyons (appointed 14 July 2020)  
Mr Shane Kyriakou (appointed 7 September 2020)

Unless otherwise stated, the Directors listed above held office as a Director of the Company throughout the financial year ended 30 June 2021.

The following persons were Directors of the Company throughout the financial year ended 30 June 2021 up until the date of resignation, as noted:

Mr Wallace (Wal) King (resigned 31 March 2021)  
The Hon. Craig Wallace (resigned 22 August 2020)  
Mr Paul Anderson (resigned 31 July 2020)  
Mr James (Jim) Soorley (resigned 13 July 2020)

## 3. Review of operations

### Financial Summary

Financial summary for the Group:

- EBITDA of \$19.4 million, increase of 135%.
- Loss after income tax of \$100.8 million, an improvement of approximately \$50 million.
- Total comprehensive loss of \$72.6 million, an improvement of approximately \$80 million.
- Operating cash flow of \$2.4 million (2020: \$2.8 million).
- Cash and cash equivalents, other cash deposits and secured cash of \$70.6 million (2020: \$66.0 million).

The following table summarises the key reconciling items between the Group's EBITDA, its net loss after income tax, and total comprehensive loss:

|                                                               | Year Ended<br>30 June 2021<br>\$'000 | Year Ended<br>30 June 2020<br>Restated<br>\$'000 |
|---------------------------------------------------------------|--------------------------------------|--------------------------------------------------|
| Revenue                                                       | 549,007                              | 316,858                                          |
| Loss before income tax and significant items                  | (65,587)                             | (56,695)                                         |
| Significant items                                             |                                      |                                                  |
| - impairment of Australian exploration assets                 | (33,576)                             | -                                                |
| - net gain on revaluation of investment in associate          | -                                    | 7,658                                            |
| - disposal of Mongolia, discontinued operation                | -                                    | (116,033)                                        |
| <b>Loss before income tax</b>                                 | <b>(99,163)</b>                      | <b>(165,070)</b>                                 |
| Earnings before interest, tax, depreciation, and amortisation | 19,396                               | 8,254                                            |
| - impairment of Australian exploration assets                 | (33,576)                             | -                                                |
| - net finance expenses                                        | (44,893)                             | (32,764)                                         |
| - depreciation and amortisation expense                       | (39,044)                             | (24,527)                                         |
| - loss on disposal of fixed assets                            | (1,046)                              | -                                                |
| - disposal of Mongolia, discontinued operation                | -                                    | (116,033)                                        |
| - income tax (expense)/benefit                                | (1,671)                              | 15,477                                           |
| <b>Loss after income tax</b>                                  | <b>(100,834)</b>                     | <b>(149,593)</b>                                 |
| Other comprehensive income/(loss)                             | 28,202                               | (3,430)                                          |
| <b>Total comprehensive loss</b>                               | <b>(72,632)</b>                      | <b>(153,023)</b>                                 |

# TerraCom Limited

Results Commentary for the year ended 30 June 2021



## Operations Summary

|                                        | Year Ended<br>30 June 2021<br>\$'000 | Year Ended<br>30 June 2020<br>\$'000 | Change<br>\$'000 | Change<br>% |
|----------------------------------------|--------------------------------------|--------------------------------------|------------------|-------------|
| <b>Managed Tonnes</b>                  |                                      |                                      |                  |             |
| ROM Coal Production                    | 13,232                               | 14,546                               | (1,314)          | (9)%        |
| Saleable Coal                          | 9,290                                | 10,432                               | (1,142)          | (11)%       |
| Coal Sales                             | 9,180                                | 9,979                                | (799)            | (8)%        |
| Inventory (ROM)                        | 277                                  | 739                                  | (462)            | (63)%       |
| Inventory (Saleable)                   | 382                                  | 342                                  | 40               | 12%         |
| <b>Equity Tonnes</b>                   |                                      |                                      |                  |             |
| ROM Coal Production                    | 8,030                                | 9,352                                | (1,322)          | (14)%       |
| Saleable Coal                          | 5,889                                | 6,810                                | (921)            | (14)%       |
| Coal Sales                             | 5,841                                | 6,626                                | (785)            | (12)%       |
| Inventory (ROM)                        | 145                                  | 494                                  | (349)            | (71)%       |
| Inventory (Saleable)                   | 250                                  | 257                                  | (7)              | (3)%        |
| <b>ROM Coal Production</b>             |                                      |                                      |                  |             |
| <b>Australia</b>                       |                                      |                                      |                  |             |
| Blair Athol                            | 2,555                                | 3,052                                | (497)            | (16)%       |
| <b>South Africa</b>                    |                                      |                                      |                  |             |
| Kangala Colliery <sup>(1)</sup>        | 1,152                                | 3,109                                | (1,957)          | (63)%       |
| New Clydesdale Colliery <sup>(2)</sup> | 4,283                                | 3,955                                | 328              | 8%          |
| North Block Complex <sup>(2)</sup>     | 3,692                                | 3,929                                | (237)            | (6)%        |
| Ubuntu Colliery <sup>(3)</sup>         | 1,550                                | 501                                  | 1,049            | >100%       |
| <b>Coal Sales</b>                      |                                      |                                      |                  |             |
| <b>Australia</b>                       |                                      |                                      |                  |             |
| Blair Athol                            | 2,247                                | 2,589                                | (342)            | (13)%       |
| <b>South Africa</b>                    |                                      |                                      |                  |             |
| Kangala Colliery <sup>(1)</sup>        | 920                                  | 1,935                                | (1,015)          | (52)%       |
| New Clydesdale Colliery <sup>(2)</sup> | 2,419                                | 2,620                                | (201)            | (8)%        |
| North Block Complex <sup>(2)</sup>     | 2,667                                | 2,578                                | 89               | 3%          |
| Ubuntu Colliery <sup>(3)</sup>         | 1,328                                | 256                                  | 1,072            | >100%       |

(1) 70.5% equity interest owned by TerraCom Limited

(2) 49.0% equity interest owned by TerraCom Limited

(3) 48.9% equity interest owned by TerraCom Limited

Note: the figures reflect continuing operations (Mongolia sold in June 2020 has been excluded from all numbers). The figures assume continuous ownership of Universal Coal plc, even though control was not effective until 1 April 2020 and 100% was not effective until 30 June 2020.

### Australian Business Unit

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

The summary financial performance can be summarised as follows:

|                      |                 | Year Ended<br>30 June 2021 | Year Ended<br>30 June 2020 | Variance | Variance (%) |
|----------------------|-----------------|----------------------------|----------------------------|----------|--------------|
| Revenue              | \$'000          | 159,237                    | 221,546                    | (62,309) |              |
|                      | \$ / Sold Tonne | 70.9                       | 85.6                       | (14.7)   | (17)%        |
| Costs <sup>(1)</sup> | \$'000          | 149,885                    | 191,586                    | 51,701   |              |
|                      | \$ / Sold Tonne | 62.3                       | 74.0                       | 11.7     | 16%          |
| EBITDA               | \$'000          | 19,352                     | 29,960                     | (10,608) |              |
|                      | \$ / Sold Tonne | 8.6                        | 11.6                       | (3.0)    | (26)%        |

(1) reflects ongoing operational costs and excludes one off items in current year and prior year.

# TerraCom Limited

Results Commentary for the year ended 30 June 2021



The revenue per tonne at Blair Athol was significantly impacted by two items:

1. United States Dollar achieved price as a result of the demand constraints on thermal coal brought about by the effects of COVID-19. This contributed \$6.1 per tonne of the variance.
2. Fluctuations in the foreign exchange rate (AUD:USD). The average fx in 2021 financial year was 0.75, compared to 0.67 in 2020 financial year. This contributed \$8.6 per tonne of the variance.

The Company transitioned the Blair Athol coal mine from a contract operated mine site to an owner operator mine site on 30 July 2020. The transition was very successful and delivered:

1. Operational efficiencies and refinements. This allowed BA to deliver coal sales of 2.25 million tonnes during FY2021, against an initial target of 2.00 million tonnes, representing an over achievement of 247,000 tonnes or 12%.
2. Operating cost reduction. Excluding one-off items, BA delivered a year-on-year operating cost reduction of \$11.7 per tonne resulting in a 2021 financial year cost of \$62.3 per tonne, against a 2020 financial year cost of \$74.0 per tonne.

## South African Business Unit

The South African Business Unit comprised four operating coal mines throughout the financial year - the Kangala colliery, North Block colliery, New Clydesdale colliery and Ubuntu colliery. The Kangala colliery officially reached the end of its resource life in January 2021.

The summary financial performance can be summarised as follows:

|         |                 | Year Ended<br>30 June 2021 | Year Ended<br>30 June<br>2020 <sup>(1)</sup> | Variance  | Variance (%) |
|---------|-----------------|----------------------------|----------------------------------------------|-----------|--------------|
| Revenue | \$'000          | 389,770                    | 95,312                                       | 294,458   |              |
|         | \$ / Sold Tonne | 56.2                       | 52.2                                         | 4.0       | 8%           |
| Costs   | \$'000          | 358,509                    | 93,892                                       | (264,617) |              |
|         | \$ / Sold Tonne | 51.7                       | 51.4                                         | (0.3)     | (1%)         |
| EBITDA  | \$'000          | 31,261                     | 1,420                                        | 29,841    |              |
|         | \$ / Sold Tonne | 4.5                        | 0.8                                          | 3.7       | >100%        |

(1) reflects the period 27 March 2020 to 30 June 2020, being the period that control was exercised on Universal Coal in the 2020 financial year.

The relatively flat revenue per tonne (year-on-year) highlights that the South African business is not negatively impacted as much compared to operations which are solely focused on export coal sales. This therefore provides the platform for this business to be deemed an indirect annuity stream through fixed margin coal sales to domestic consumers, whilst also still benefitting from higher margin export coal sales when the export market is strong.

Notwithstanding the impacts of COVID-19 on thermal coal demand (both domestic and global), the South African business demonstrated its resilience by only recording a 1% increase in operating costs per tonne which is less than the recorded CPI increase in South Africa.

## Kangala Colliery

The Kangala colliery officially reached the end of its resource life in January 2021. As a result, Kangala produced and sold significantly less coal in the 2021 financial year when comparing to the 2020 financial year:

- Run of Mine Production - 1.96 million tonnes less ROM production in 2021 financial year (1.15 million tonnes) compared to the 2020 financial year (3.11 million tonnes).
- Coal Sales - 1.01 million tonnes less coal sales in 2021 financial year (0.92 million tonnes) compared to the 2020 financial year (1.93 million tonnes).
- It is also the sole reason as to why the Total Managed Production and Total Equity Production for Run of Mine Production and Coal Sales fell year on year.

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 offtake agreement with Eskom to recommence development and production from the current Kangala pit into the Eloff resource. As a result of the ongoing delays with the new Eskom offtake agreement for the Eloff project, the Company has decided to move the colliery into care and maintenance, effective 1 July 2021, to minimise cost exposure.



### New Clydesdale Colliery (NCC)

The domestic sales volumes stabilised during the second half of the 2021 financial year for NCC. The export sales volume deficit was the largest contributor to the negative variance when comparing the coal sales performance of the 2021 financial year to the 2020 financial year.

NCC had a very unfortunate incident on 6 May 2021 that led to a fatality of a contractor at the operation. The mine was on stop for 11 days as a result of the fatality and other community related matters (independent of the colliery). The Group is committed to achieving zero harm to its people, and management, employees and contractors are striving for an improved safety performance across all operations.

### North Block Complex (NBC)

The domestic sales volumes also stabilised during the second half of the 2021 financial year for NBC. The increase in coal sales in 2021 financial year (compared to 2020 financial year) can be attributed to the implementation of the initial steps of the export strategy in South Africa. This resulted in the South African business achieving a historic milestone with the first full shipment of coal from its South African operations occurring. During the COVID-19 pandemic the domestic demand for thermal coal reduced significantly which necessitated a more diversified sales mix that allowed the Group to benefit from the fixed margin domestic business, whilst also still benefitting from higher margin export coal sales.

NBC implemented a ramp up production strategy during the 2021 financial year which will allow it to achieve a run rate of 4 million tonnes of saleable coal per annum during the coming financial year. This will assist the operation to deliver under its domestic offtake agreement and allow further opportunities with its export sales.

### Ubuntu Colliery

Ubuntu colliery achieved commercial production on 30 September 2020. The domestic sales volumes stabilised during the second half of the 2021 financial year which led to Ubuntu falling short by only 150,000 coal sales tonnes of the domestic offtake agreement.

### **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

|                                                    | Year ended<br>30 June 2021 | Year ended<br>30 June 2020<br>Restated |
|----------------------------------------------------|----------------------------|----------------------------------------|
|                                                    | \$M                        | \$M                                    |
| Revenue                                            | 549.0                      | 316.9                                  |
| Cost of goods sold                                 | (474.6)                    | (296.2)                                |
| Gross profit                                       | 74.4                       | 20.7                                   |
| Net gain on revaluation of investment in associate | -                          | 7.7                                    |
| Other expenses                                     | (49.4)                     | (26.3)                                 |
| Net foreign exchange (loss)/gain                   | (5.6)                      | 6.2                                    |
|                                                    | <b>19.4</b>                | <b>8.3</b>                             |
| Depreciation and amortisation                      | (39.0)                     | (24.5)                                 |
| Impairment of Australian exploration assets        | (33.6)                     | -                                      |
| Loss on disposal of fixed assets                   | (1.0)                      | -                                      |
| Net financial expense                              | (44.9)                     | (32.8)                                 |
| Profit/(Loss) before income tax                    | (99.1)                     | (49.0)                                 |
| Income tax benefit                                 | (1.7)                      | 15.4                                   |
| Loss after income tax from discontinued operations | -                          | (116.0)                                |
| <b>Loss after income tax</b>                       | <b>(100.8)</b>             | <b>(149.6)</b>                         |
| Other comprehensive income/(loss)                  | 28.2                       | (3.4)                                  |
| <b>Total comprehensive loss</b>                    | <b>(72.6)</b>              | <b>(153.0)</b>                         |

The total comprehensive loss for the period was \$72.6 million. The loss after income tax for the period was \$100.8 million, which consisted of major non-cash items, including:

- \$39.0 million of depreciation and amortisation,
- \$33.6 million impairment expense on the Group's Australian exploration assets,
- \$5.6 million of net foreign exchange losses, and
- \$1.0 million of losses recognised on disposal of fixed assets.

Had these items not been incurred the loss after income tax would have been \$21.6 million and a total comprehensive profit of \$6.6 million.





### Consolidated Statement of Financial Position

|                         | As at<br>30 June 2021 | As at<br>30 June 2020<br>Restated |
|-------------------------|-----------------------|-----------------------------------|
|                         | \$M                   | \$M                               |
| Current assets          | 104.5                 | 84.6                              |
| Non-current assets      | 531.5                 | 538.3                             |
| Total assets            | 636.0                 | 622.9                             |
| Current liabilities     | 376.6                 | 331.2                             |
| Non-current liabilities | 277.7                 | 234.7                             |
| Total liabilities       | 654.3                 | 565.9                             |
| Net assets              | (18.3)                | 57.0                              |
| Equity                  | (18.3)                | 57.0                              |

As at 30 June 2021 the Group had a net current liability deficiency of \$272.1 million (30 June 2020: \$246.7 million), with \$222.3 million (or 82%) of this deficiency relating to repayment of Borrowings (Listed Euroclear Bond) due for repayment on 3 September 2021. Significant progress has been made on refinancing the Listed Euroclear Bond. The Company, the incoming debt funder, the Note Trustee and the existing bondholders have been working closely since 30 June 2021 to finalise the refinance, including finalisation of the agreed commercial terms and documentation.

The Group has increased its current assets year on year by \$19.9 million. This can be mainly attributable to trade and other receivables, which has increased by \$22.7 million. As at 30 June 2021 all trade and other receivables are within agreed trade credit terms.

The two largest contributors to the negative equity of \$18.3 million are as follows:

1. Impairment of Australian exploration and evaluation assets. The Group over the previous operating years has recognised \$99.4 million in impairment of Australian exploration and evaluation assets, including \$33.6 million in the 2021 financial year.
2. Disposal of discontinued operation (Mongolia). In the previous financial year the Group recognised a loss on the disposal of Mongolia of \$116.0 million.

These two items add up to \$215.4 million and if they had not been incurred the Group would have a net equity position of \$197.1 million.

### Consolidated Statement of Cash Flows

|                                                               | Year ended<br>30 June 2021 | Year ended<br>30 June 2020 |
|---------------------------------------------------------------|----------------------------|----------------------------|
|                                                               | \$M                        | \$M                        |
| Net cash at beginning of year                                 | 10.1                       | 59.2                       |
| Net cash from operating activities                            | 2.4                        | 2.8                        |
| Net cash from investing activities                            | (43.9)                     | (44.5)                     |
| Net cash from financing activities                            | 41.6                       | (6.7)                      |
| Effects of exchange rate changes on cash and cash equivalents | 1.0                        | (0.7)                      |
| Net cash at end of year                                       | 11.2                       | 10.1                       |

The Group generated net cash from operating activities excluding net interest and tax of \$22.5 million (2020: \$32.8 million). During the year the Group's revenue was significantly impacted by the export market prices able to be earned brought about by the impacts of global thermal coal demand resulting from the COVID-19 pandemic. The Group's BA Mine (Australian operation) earned \$14.7 or 17% less revenue per tonne in the current year (\$70.9 per tonne) compared to the prior year (\$85.6 per tonne).

Subsequent to year end, the global demand for thermal coal has rebounded significantly which has had a corresponding increase in the export market prices. The Group's export revenue per tonne has increased as a result of realising increase in the export market pricing.



#### 4. Matters subsequent to the end of the financial year

As announced to the ASX on 12 August 2021, the Company has obtained an extension of the Euroclear Bond (Bond) maturity date to 3 September 2021. The Company, the incoming debt funder, the Trustee and the existing bondholders have been working closely since 30 June 2021 to finalise the refinance, including finalisation of the agreed commercial terms and documentation. The Company will update shareholders regarding status as new information becomes available.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

#### 5. Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report.

#### 6. Environmental regulation

The Group holds a number of licences issued by the relevant environmental protection authorities of the various countries in which it operates. There have been no significant known breaches of the consolidated entities' licence conditions or any environmental regulations.

#### 7. Principal risks

The Group operates in the coal sector in both Australia and South Africa. There are a number of factors, both specific to the Group 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 Group's shares. Many of the circumstances giving rise to these risks are beyond the control of the board and management. The major risks believed to be associated with investment in the Group are 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 Group may be impacted. With a significant number of employees and contractors engaged 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 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.



### 7. Principal risks (continued)

#### 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 on the Group's going concern ability. 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 as and when they fall due.

#### Re-finance risk

As announced to the ASX, the maturity date of the Company's Listed Euroclear Bond has been extended from 30 June 2021 until 3 September 2021. Significant progress has been made on refinancing the Listed Euroclear Bond. The Company, the incoming debt funder, the Note Trustee and the existing bondholders have been working closely since 30 June 2021 to finalise the refinance, including finalisation of the agreed commercial terms and documentation. The Company will update shareholders regarding status of the refinance program as new information becomes available.

With the refinance program not yet complete, the Group has a refinance risk on account of the Listed Euroclear Bond being due for repayment during the 2022 financial year.

#### Country risks

There is a risk that circumstances (including unforeseen circumstances) in operating jurisdictions 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 Group are exposed to risks arising from financial instruments held.

#### 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 a commercially viable market or sell the resources to customers to achieve a commercial return.



## 7. Principal risks (continued)

### Capital requirements risk

There is a risk that insufficient liquidity or the inability to access funding on acceptable terms may impact ongoing operations and growth opportunities. The Group implements various capital management strategies to align, where possible, with the capitalised liquidity requirements on the Company.

### Health & safety risk

The Group has a comprehensive health and safety management system. The Group's projects are subject to laws and regulations regarding health and safety matters. Accidents or incidents of the operations could lead to delays, disruptions, or shutdown of the operations. Potential safety risks include equipment failure, human errors, mining equipment interactions and spontaneous combustion risk.

### 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. The Group has a comprehensive environment management system to mitigate risks of incidents and to ensure compliance with environmental laws. 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.

### Environmental regulation risk

The coal sector is subject to a broad range of environmental laws, regulations and standards - including in relation to greenhouse gas emissions. Changes or amendments to laws, regulations and standards could result in increased operating costs, regulatory action, litigation, or in extreme cases, threaten the viability of an operation.

### 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.



## 7. Principal risks (continued)

### 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.

## 8. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 (*Cth*) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## 9. 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.



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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 is South Africa 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 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 Results Commentary, which is not part of the financial statements.

# TerraCom Limited

Consolidated statement of profit or loss for the year ended 30 June 2021



|                                                                                                              | Note | 2021<br>\$ '000  | 2020<br>Restated*<br>\$ '000 |
|--------------------------------------------------------------------------------------------------------------|------|------------------|------------------------------|
| Revenue                                                                                                      |      | 549,007          | 316,858                      |
| Cost of goods sold                                                                                           |      | (474,562)        | (296,193)                    |
| <b>Gross profit</b>                                                                                          |      | <b>74,445</b>    | <b>20,665</b>                |
| Net gain on revaluation of investment in associate                                                           | 4    | -                | 7,658                        |
| Other operating and administration expenses                                                                  |      | (49,425)         | (26,275)                     |
| Exploration tenement write off                                                                               |      | -                | (854)                        |
| Net foreign exchange (loss)/gain                                                                             |      | (5,619)          | 6,217                        |
| Share of (losses)/profit of associates                                                                       |      | (5)              | 843                          |
|                                                                                                              |      | <b>19,396</b>    | <b>8,254</b>                 |
| Financial income                                                                                             | 5    | 1,261            | 1,716                        |
| Financial expense                                                                                            | 6    | (46,154)         | (34,480)                     |
| Impairment of Australian exploration assets                                                                  |      | (33,576)         | -                            |
| Depreciation and amortisation expense                                                                        |      | (39,044)         | (24,527)                     |
| Loss on disposal of fixed assets                                                                             |      | (1,046)          | -                            |
| <b>Loss before income tax from continuing operations</b>                                                     |      | <b>(99,163)</b>  | <b>(49,037)</b>              |
| Income tax (benefit)/expense                                                                                 |      | (1,671)          | 15,477                       |
| <b>Loss after income tax from continuing operations</b>                                                      |      | <b>(100,834)</b> | <b>(33,560)</b>              |
| Loss after income tax from discontinued operations                                                           | 7    | -                | (116,033)                    |
| <b>Loss after income tax for the year</b>                                                                    |      | <b>(100,834)</b> | <b>(149,593)</b>             |
| <b>Loss for the year is attributable to:</b>                                                                 |      |                  |                              |
| Non-controlling interest                                                                                     |      | (10,509)         | (5,823)                      |
| Owners of TerraCom Limited                                                                                   |      | (90,325)         | (143,770)                    |
|                                                                                                              |      | <b>(100,834)</b> | <b>(149,593)</b>             |
|                                                                                                              |      | <b>Cents</b>     | <b>Cents</b>                 |
| <b>Earnings per share for loss from continuing operations attributable to the owners of TerraCom Limited</b> |      |                  |                              |
| Basic earnings per share                                                                                     |      | (11.98)          | (6.06)                       |
| Diluted earnings per share                                                                                   |      | (11.98)          | (6.06)                       |
| <b>Earnings per share for loss attributable to the owners of TerraCom Limited</b>                            |      |                  |                              |
| Basic earnings per share                                                                                     |      | (11.98)          | (25.97)                      |
| Diluted loss per share                                                                                       |      | (11.98)          | (25.97)                      |

The consolidated statement of profit or loss is to be read in conjunction with the consolidated notes to the financial statements.

\* The finalisation of the fair value of the acquisition (detailed in Note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate, operating segments (Note 3), exploration and evaluation assets, deferred tax and trade and other receivables.

# TerraCom Limited

Consolidated statement of other comprehensive income for the year ended 30 June 2021



|                                                                | Note | 2021<br>\$ '000 | 2020<br>Restated*<br>\$ '000 |
|----------------------------------------------------------------|------|-----------------|------------------------------|
| Loss after income tax expense for the year                     |      | (100,834)       | (149,593)                    |
| Other comprehensive income:                                    |      |                 |                              |
| Items that may be reclassified subsequently to profit or loss: |      |                 |                              |
| Foreign currency translation                                   |      | 28,202          | (3,430)                      |
| Other comprehensive income/(loss) for the year net of tax      |      | <u>28,202</u>   | <u>(3,430)</u>               |
| Total comprehensive loss for the year                          |      | <u>(72,632)</u> | <u>(153,023)</u>             |
| Total comprehensive income for the year is attributable to:    |      |                 |                              |
| Continuing operations                                          |      | (7,124)         | (10,484)                     |
| Discontinued operations                                        |      | -               | (2,113)                      |
| Non-controlling interest                                       |      | <u>(7,124)</u>  | <u>(12,597)</u>              |
| Continuing operations                                          |      | (65,508)        | (15,004)                     |
| Discontinued operations                                        |      | -               | (125,422)                    |
| Owners of TerraCom Limited                                     |      | <u>(65,508)</u> | <u>(140,426)</u>             |
|                                                                |      | <u>(72,632)</u> | <u>(153,023)</u>             |

The consolidated statement of other comprehensive income is to be read in conjunction with the consolidated notes to the financial statements.

\* The finalisation of the fair value of the acquisition (detailed in Note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate, operating segments (Note 3), exploration and evaluation assets, deferred tax and trade and other receivables.



# TerraCom Limited

Consolidated statement of financial position as at 30 June 2021



|                                                           | Note | 2021<br>\$ '000 | 2020<br>Restated*<br>\$ '000 |
|-----------------------------------------------------------|------|-----------------|------------------------------|
| <b>Assets</b>                                             |      |                 |                              |
| <b>Current Assets</b>                                     |      |                 |                              |
| Cash and cash equivalents                                 | 8    | 11,186          | 10,108                       |
| Trade and other receivables                               | 9    | 67,232          | 44,539                       |
| Inventories                                               | 10   | 21,717          | 26,631                       |
| Other current assets                                      |      | -               | 3,320                        |
| Ndalamo loan receivable                                   | 16   | 4,368           | -                            |
|                                                           |      | <b>104,503</b>  | <b>84,598</b>                |
| <b>Non-Current Assets</b>                                 |      |                 |                              |
| Restricted cash                                           | 11   | 47,032          | 47,647                       |
| Investments accounted for using the equity method         |      | 38              | 35                           |
| Other financial assets                                    | 12   | 8,362           | 4,737                        |
| Property, plant and equipment                             | 13   | 312,453         | 301,726                      |
| Exploration and evaluation assets                         | 14   | 123,568         | 150,888                      |
| Deferred tax                                              |      | 27,653          | 25,060                       |
| Other non-current assets                                  | 15   | 12,396          | 8,253                        |
|                                                           |      | <b>531,502</b>  | <b>538,346</b>               |
| <b>Total Assets</b>                                       |      | <b>636,005</b>  | <b>622,944</b>               |
| <b>Liabilities</b>                                        |      |                 |                              |
| <b>Current Liabilities</b>                                |      |                 |                              |
| Trade and other payables                                  | 17   | 124,699         | 106,770                      |
| Borrowings                                                | 18   | 245,178         | 219,751                      |
| Lease liabilities                                         | 19   | 2,801           | 2,273                        |
| Provisions                                                | 20   | 3,360           | 1,429                        |
| Financial liabilities                                     | 21   | 540             | 1,026                        |
|                                                           |      | <b>376,578</b>  | <b>331,249</b>               |
| <b>Non-Current Liabilities</b>                            |      |                 |                              |
| Trade and other payables                                  | 22   | 1,305           | 1,726                        |
| Borrowings                                                | 18   | 69,418          | 39,604                       |
| Lease liabilities                                         | 19   | 280             | 2,666                        |
| Deferred tax                                              |      | 37,092          | 36,003                       |
| Provisions                                                | 20   | 164,480         | 143,938                      |
| Financial liabilities                                     | 21   | -               | 3,386                        |
| Ndalamo loan payable                                      | 16   | 5,165           | 7,383                        |
|                                                           |      | <b>277,740</b>  | <b>234,706</b>               |
| <b>Total Liabilities</b>                                  |      | <b>654,318</b>  | <b>565,955</b>               |
| <b>Net (Liabilities) / Assets</b>                         |      | <b>(18,313)</b> | <b>56,989</b>                |
| <b>Equity</b>                                             |      |                 |                              |
| <b>Equity Attributable to Equity Holders of Parent</b>    |      |                 |                              |
| Issued capital                                            | 23   | 335,642         | 335,492                      |
| Reserves                                                  |      | 30,004          | 17,098                       |
| Accumulated losses                                        |      | (445,008)       | (366,654)                    |
| Deficiency attributable to the owners of TerraCom Limited |      | (79,362)        | (14,064)                     |
| Non-controlling interest                                  |      | 61,049          | 71,053                       |
| <b>Total equity</b>                                       |      | <b>(18,313)</b> | <b>56,989</b>                |

The consolidated statement of financial position is to be read in conjunction with the consolidated notes to the financial statements.

\* The finalisation of the fair value of the acquisition (detailed in Note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate, operating segments (Note 3), exploration and evaluation assets, deferred tax and trade and other receivables.

# TerraCom Limited

Consolidated statement of changes in equity for the year ended 30 June 2021



|                                                                                             | Issued Capital | Foreign<br>currency<br>translation<br>reserve | Share based<br>payments /<br>options<br>reserve | Accumulated<br>losses | Non-<br>controlling<br>interest | Total equity     |
|---------------------------------------------------------------------------------------------|----------------|-----------------------------------------------|-------------------------------------------------|-----------------------|---------------------------------|------------------|
|                                                                                             | \$'000         | \$'000                                        | \$'000                                          | \$'000                | \$'000                          | \$'000           |
| <b>Balance at 1 July 2019</b>                                                               | <b>277,662</b> | <b>1,843</b>                                  | <b>11,667</b>                                   | <b>(225,115)</b>      | <b>4,387</b>                    | <b>70,444</b>    |
| Loss after income tax benefit                                                               | -              | -                                             | -                                               | (143,770)             | (5,823)                         | (149,593)        |
| Other comprehensive income                                                                  | -              | 3,344                                         | -                                               | -                     | (6,774)                         | (3,430)          |
| <b>Total comprehensive Loss for the year</b>                                                | <b>-</b>       | <b>3,344</b>                                  | <b>-</b>                                        | <b>(143,770)</b>      | <b>(12,597)</b>                 | <b>(153,023)</b> |
| <i>Transactions with owners in their capacity as owners:</i>                                |                |                                               |                                                 |                       |                                 |                  |
| Shares issued for acquisition of associate / business combination, net of share issue costs | 49,184         | -                                             | -                                               | -                     | -                               | 49,184           |
| Additions through Business combinations                                                     | -              | -                                             | -                                               | -                     | 104,833                         | 104,833          |
| Acquisition of non-controlling interest share in subsidiary                                 | 8,496          | -                                             | -                                               | 6,902                 | (25,357)                        | (9,959)          |
| Share-based payments                                                                        | 150            | -                                             | 244                                             | -                     | -                               | 394              |
| Derecognition of discontinued operations                                                    | -              | -                                             | -                                               | -                     | 1,277                           | 1,277            |
| Dividend paid by subsidiary to Non-Controlling Interest                                     | -              | -                                             | -                                               | -                     | (1,490)                         | (1,490)          |
| Dividends paid                                                                              | -              | -                                             | -                                               | (4,671)               | -                               | (4,671)          |
| <b>Balance at 1 July 2020 (Restated)</b>                                                    | <b>335,492</b> | <b>5,187</b>                                  | <b>11,911</b>                                   | <b>(366,654)</b>      | <b>71,053</b>                   | <b>56,989</b>    |
| Loss for the year                                                                           | -              | -                                             | -                                               | (90,325)              | (10,509)                        | (100,834)        |
| Other comprehensive income                                                                  | -              | 24,817                                        | -                                               | -                     | (3,385)                         | 28,202           |
| <b>Total comprehensive Loss for the year</b>                                                | <b>-</b>       | <b>24,817</b>                                 | <b>-</b>                                        | <b>(90,325)</b>       | <b>(7,124)</b>                  | <b>(72,632)</b>  |
| Transfers between equity accounts                                                           | -              | -                                             | (11,971)                                        | 11,971                | -                               | -                |
| Share-based payments                                                                        | 150            | -                                             | 60                                              | -                     | -                               | 210              |
| Dividend paid by subsidiary to Non-Controlling Interest                                     | -              | -                                             | -                                               | -                     | (2,880)                         | (2,880)          |
| <b>Balance at 30 June 2021</b>                                                              | <b>335,642</b> | <b>30,004</b>                                 | <b>-</b>                                        | <b>(445,008)</b>      | <b>61,049</b>                   | <b>(18,313)</b>  |

The consolidated statement of changes in equity is to be read in conjunction with the consolidated notes to the financial statements.

# TerraCom Limited

Consolidated statement of cash flows for the year ended 30 June 2021



|                                                                   |          | 2021            | 2020                 |
|-------------------------------------------------------------------|----------|-----------------|----------------------|
|                                                                   | Note     | \$ '000         | Restated*<br>\$ '000 |
| <b>Cash flows from operating activities</b>                       |          |                 |                      |
| Receipts from customers                                           |          | 605,172         | 409,747              |
| Payments to suppliers and employees                               |          | (582,646)       | (401,912)            |
| Interest received                                                 |          | 114             | 4,097                |
| Interest paid                                                     |          | (17,925)        | (28,506)             |
| Tax payments made                                                 |          | (2,281)         | (5,642)              |
| Receipts/(payments) relating to secured deposits                  |          | -               | 24,990               |
| <b>Net cash from operating activities</b>                         |          | <b>2,434</b>    | <b>2,774</b>         |
| <b>Cash flows from investing activities</b>                       |          |                 |                      |
| Payments for property, plant and equipment                        | 13       | (27,890)        | (15,435)             |
| Sale of property, plant and equipment                             |          | 242             | -                    |
| Payments for exploration and evaluation                           | 14       | (952)           | (829)                |
| Cash acquired in business acquisition                             | 4        | -               | 21,528               |
| Payment for purchase of subsidiary                                | 4        | -               | (49,432)             |
| Payments for investments in subsidiary                            |          | -               | (120)                |
| Payments to acquire financial asset                               |          | (8,905)         | (3,896)              |
| Loan repayment from Ndalamo Resources                             |          | (6,406)         | 3,166                |
| Dividends received                                                |          | -               | 512                  |
| <b>Net cash from investing activities</b>                         |          | <b>(43,911)</b> | <b>(44,506)</b>      |
| <b>Cash flows from financing activities</b>                       |          |                 |                      |
| Share issue transaction costs                                     | 23       | -               | (1,233)              |
| Proceeds from borrowings                                          |          | 58,756          | 26,729               |
| Repayment of borrowings                                           |          | (12,538)        | (6,043)              |
| Repayment of land royalty agreement                               |          | (701)           | (211)                |
| Repayment of lease liabilities                                    |          | (1,014)         | (10,119)             |
| Dividends paid                                                    | 24       | -               | (4,671)              |
| Dividend paid by subsidiary to non-controlling interest           |          | (2,880)         | (1,490)              |
| Consideration paid for non-controlling interest                   |          | -               | (9,679)              |
| <b>Net cash from financing activities</b>                         |          | <b>41,623</b>   | <b>(6,717)</b>       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |          | <b>146</b>      | <b>(48,449)</b>      |
| Cash and cash equivalents at the beginning of the financial year  |          | 10,108          | 59,201               |
| Effects of exchange rate changes on cash and cash equivalents     |          | 932             | (644)                |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>8</b> | <b>11,186</b>   | <b>10,108</b>        |

The consolidated statement of cash flows is to be read in conjunction with the consolidated notes to the financial statements.



## 1. Significant accounting policies

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

### 1.1 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### 1.2 Basis of preparation

#### *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 30 June 2021 the Group had a net current liability deficiency of \$272.1 million (30 June 2020: \$246.7 million), with \$222.3 million (or 82%) of this deficiency relating to repayment of Borrowings (Listed Euroclear Bond) due for repayment on 3 September 2021. Significant progress has been made on refinancing the Listed Euroclear Bond. The Company, the incoming debt funder, the Note Trustee and the existing bondholders have been working closely since 30 June 2021 to finalise the refinance, including finalisation of the agreed commercial terms and documentation.

The total comprehensive loss for the period was \$72.6 million. The loss after income tax for the period was \$100.8 million, which consisted of major non-cash items, including \$39.0 million of depreciation and amortisation, \$33.6 million impairment expense on the Group's Australian exploration assets, \$5.6 million of foreign exchange losses and \$1.0 million of losses recognised on disposal of fixed assets. Had these items not been incurred the loss after income tax would have been \$21.6 million and a total comprehensive profit of \$6.6 million.

The Group generated net cash from operating activities excluding net interest and tax of \$22.5 million (2020: \$32.8 million). During the year the Group's revenue was significantly impacted by the export market prices able to be earned brought about by the impacts of global thermal coal demand resulting from the COVID-9 pandemic. The Group's Blair Athol Mine (Australian operation) earned \$14.7 or 17% less revenue per tonne in the current year (\$70.9 per tonne) compared to the prior year (\$85.6 per tonne).

Subsequent to year end, the global demand for thermal coal has rebounded significantly which has had a corresponding increase in the export market prices. The Group's export revenue per tonne has increased as a result of realising increase in the export market pricing.

Based on current operations and the Group's history of being able to pay down, refinance or defer its debt obligations if required, the Group believes the going concern basis is appropriate. If the Group is unable to achieve the above, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business at amounts different from those stated in the statement of financial position. 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.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.



## 1.3 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TerraCom Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. TerraCom Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of a business is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group 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 Group 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.

## 1.4 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.

## 1.5 Foreign currency translation

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 the United Kingdom subsidiaries are Australian dollars (AUD), the South African subsidiaries are South African Rand (ZAR) and the balance of the subsidiaries and TerraCom Limited are United States Dollar (USD).

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.



## 1.6 Revenue recognition

The Group recognises revenue as follows:

### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## 1.7 Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.



## 1.8 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss.

## 1.9 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## 1.10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash is not available for use by the Group and therefore is not considered highly liquid, for example, cash set aside to cover rehabilitation obligations.

## 1.11 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

## 1.12 Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 1.13 Derivative financial instruments

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

## 1.14 Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.





## 1.14 Associates (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 1.15 Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

## 1.16 Property, plant and equipment

Land and buildings are stated at historical cost. Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a units of production method for plant and equipment and mine development based on original cost and a straight-line basis for other assets with expected useful lives as follows:

|                                  |            |
|----------------------------------|------------|
| Furniture, fixtures and fittings | 1-10 years |
| Office equipment                 | 1-10 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.





## 1.16 Property, plant and equipment (continued)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The Group's right-of-use assets are depreciated on a straight line basis over the lease term.

## 1.17 Deferred stripping

Deferred stripping expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively. The stripping activity asset is subsequently depreciated on a units of production basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. For the purposes of assessing impairment, deferred stripping costs are grouped with other assets of the relevant cash generating unit.

## 1.18 Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

## 1.19 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## 1.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition except those classified as non-current which are paid after 12 months from year end.

## 1.21 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance

cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.



## 1.22 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## 1.23 Restoration and rehabilitation

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past events, and it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated costs of rehabilitation include the current cost of re-contouring, topsoiling and revegetation based on legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a liability with a corresponding asset included in mining property and development assets.

At each reporting date, the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance expense in the consolidated statement of comprehensive income as it occurs.

For closed mines, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the consolidated statement of comprehensive income as incurred.

## 1.24 Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

## 1.25 Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## 1.26 Employee benefits

### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.



## 1.26 Employee benefits (continued)

### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, market performance conditions, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non vesting and market conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Monte Carlo or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

## 1.27 Deferred revenue

Deferred revenue is recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

## 1.28 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.



## 1.28 Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## 1.29 Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 1.30 Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

## 1.31 Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange. Transaction costs arising on the issue of equity are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest assumed. The non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss as a revaluation gain or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.



## 1.31 Business combinations (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

When acquisitions are achieved in stages (stepped acquisition), non-controlling interest acquired subsequent to the acquisition date is recorded only in equity and does not result in recognition of a gain or loss.

## 1.32 Earnings per share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of TerraCom Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 1.33 Goods and Services Tax ('GST'), Value Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the tax authority.

## 1.34 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.

## 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.



## 2. Critical accounting judgements, estimates and assumptions (continued)

### *Business combinations*

For mining assets, the value at acquisition was determined based on the expected future cash flows expected to be derived from the mines over their life. The future cash flows are based on estimates, the most significant of which are coal reserves, future production profiles, commodity prices, operating costs, any future development costs necessary to produce the reserves and value attributable to additional resource and exploration opportunities beyond reserves based on production plans. The cash flow models are categorised within level 3 of the fair value hierarchy.

Future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. The Group's coal price forecasts include the expected impact of climate change and potential policy responses as one of the many factors that can affect long term scenarios. The Group has formed the opinion that global demand for the Group's products will continue over the life of the respective mines. Where volumes are contracted, future prices are based on the contracted price. The discount rates applied to the future forecast cash flows are based on the weighted average cost of capital, adjusted for risks where appropriate.

For exploration and evaluation assets, the value at acquisition was determined based on recent market transactions and resource multiples.

### *Carrying value of assets*

The Group assesses at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount of an individual asset, or cash generating unit is determined based on the higher of fair value less cost of disposal (FVLCD) or value in use (VIU). These calculations require the use of estimations and assumptions.

Estimated future cash flows used to determine FVLCD 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 FVLCD.

### *Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### *Mineral reserves and resources*

The estimated quantities of economically recoverable Reserves and Resources are based upon interpretations of geological and geophysical models and require assumptions to be made requiring factors such as estimates of future operating performance, future capital requirements, and coal prices. The Group is required to determine and report Reserves and Resources under the Australian Code for Reporting Mineral Resources and Ore Reserves December 2012 (JORC code). The JORC code requires the use of reasonable investment assumptions to calculate reserves and resources. Changes in reported reserves and resources can impact the life of mine, which impacts the carrying value of mining assets, rehabilitation provisioning and amortisation and depreciation.

### *Rehabilitation provision*

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitation in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.





## 2. Critical accounting judgements, estimates and assumptions (continued)

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Valuation of financial instruments*

In respect of the instruments measured at amortised cost, judgement is required in estimating the timing of expected cash inflows and outflows used in applying the effective interest rate method. These cash flows are dependent on timing of future coal production, and timing of debt repayments.

The Group is required to classify all assets and liabilities, 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; and Level 3: Unobservable inputs for the asset or liability.

### *Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Key judgements and estimates The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. This requires assumptions regarding future profitability of the Group and is therefore involves a degree of estimation, judgement and is uncertain.

To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

The most significant assumptions as part of the future probability estimate include; future production profiles, future commodity prices, expected operating costs, future development costs necessary to produce the reserves and value attributable to additional resource.

All available evidence is considered when determined forecast assumptions, including approved budgets, forecasts and business plans, impact of climate change policy (enacted and future) and, in certain cases, analysis of historical operating results.

The estimates described above require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of deferred tax asset at each reporting date.

The estimates described above require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of deferred tax asset at each reporting date.



### 3. 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 | Coal exploration and extraction activities within South Africa                                    |
| Corporate    | Various business development and support activities that are not allocated to operating segments. |
| Mongolia     | Coal exploration and extraction activities within Mongolia (sold 23 June 2020)                    |

#### 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.

#### Major customers

During the year ended 30 June 2021 the Group's external revenue was derived from sales to the following customers (including from discontinued operations):

|                        | 2021<br>\$'000 | 2021<br>%    | 2020<br>\$'000 | 2020<br>%    |
|------------------------|----------------|--------------|----------------|--------------|
| <b>Major customers</b> |                |              |                |              |
| Eskom                  | 231,033        | 42.1 %       | 69,844         | 19.9 %       |
| Glencore               | 78,488         | 14.3 %       | 18,818         | 5.3 %        |
| Noble Group            | 11,980         | 2.2 %        | 133,935        | 38.1 %       |
| Other customers        | 227,506        | 41.4 %       | 128,995        | 36.7 %       |
|                        | <b>549,007</b> | <b>100 %</b> | <b>351,592</b> | <b>100 %</b> |



# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 3. Operating segments (continued)

### Operating segment information

|                                                                              | Australia<br>\$'000 | South Africa<br>\$'000 | Unallocated /<br>Corporate<br>\$'000 | Total<br>\$'000  |
|------------------------------------------------------------------------------|---------------------|------------------------|--------------------------------------|------------------|
| <b>2021</b>                                                                  |                     |                        |                                      |                  |
| <b>Revenue</b>                                                               |                     |                        |                                      |                  |
| Sales to external customers                                                  | 159,237             | 389,770                | -                                    | 549,007          |
| Other revenue                                                                | -                   | -                      | -                                    | -                |
| Cost of goods sold                                                           | (134,629)           | (339,933)              | -                                    | (474,562)        |
| <b>Gross margin</b>                                                          | <b>24,608</b>       | <b>49,837</b>          | <b>-</b>                             | <b>74,445</b>    |
| <b>Other operating and administrative expenses</b>                           | <b>(16,296)</b>     | <b>(18,571)</b>        | <b>(14,558)</b>                      | <b>(49,425)</b>  |
| Net foreign exchange loss                                                    | -                   | -                      | (5,619)                              | (5,619)          |
| Share of profits of associates                                               | -                   | (5)                    | -                                    | (5)              |
|                                                                              | <b>8,312</b>        | <b>31,261</b>          | <b>(20,177)</b>                      | <b>19,396</b>    |
| Depreciation and amortisation                                                | (14,201)            | (24,793)               | (50)                                 | (39,044)         |
| Impairment of Australian exploration assets                                  | (33,576)            | -                      | -                                    | (33,576)         |
| Loss on disposal                                                             | -                   | -                      | (1,046)                              | (1,046)          |
| Net finance expense                                                          | (1,489)             | (8,457)                | (34,947)                             | (44,893)         |
|                                                                              | <b>(40,954)</b>     | <b>(1,989)</b>         | <b>(56,220)</b>                      | <b>(99,163)</b>  |
| Loss before income tax                                                       |                     |                        |                                      | (99,163)         |
| Income tax expense                                                           |                     |                        |                                      | (1,671)          |
| <b>Profit after income tax benefit</b>                                       |                     |                        |                                      | <b>(100,834)</b> |
| <b>Assets</b>                                                                |                     |                        |                                      |                  |
| Segment assets                                                               | 238,644             | 395,358                | 2,003                                | 636,005          |
| <b>Total assets</b>                                                          | <b>238,644</b>      | <b>395,358</b>         | <b>2,003</b>                         | <b>636,005</b>   |
| <b>Total assets include additions and acquisitions of non-current assets</b> |                     |                        |                                      |                  |
| Property, plant and equipment                                                | 5,553               | 23,666                 | -                                    | 29,219           |
| Exploration and evaluation                                                   | 7                   | 945                    | -                                    | 952              |
|                                                                              | <b>5,560</b>        | <b>24,611</b>          | <b>-</b>                             | <b>30,171</b>    |
| <b>Liabilities</b>                                                           |                     |                        |                                      |                  |
| Segment liabilities                                                          | 137,658             | 263,216                | 253,444                              | 654,318          |
| <b>Total liabilities</b>                                                     | <b>137,658</b>      | <b>263,216</b>         | <b>253,444</b>                       | <b>654,318</b>   |

# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 3. Operating segments (continued)

|                                                                              | Australia<br>\$'000         | South<br>Africa<br>\$'000 | Mongolia<br>\$'000              | Unallocated<br>/ Corporate<br>\$'000 | Total<br>\$'000  |
|------------------------------------------------------------------------------|-----------------------------|---------------------------|---------------------------------|--------------------------------------|------------------|
| <b>2020</b>                                                                  |                             |                           |                                 |                                      |                  |
| Revenue                                                                      |                             |                           |                                 |                                      |                  |
| Sales to external customers                                                  | 221,546                     | 95,312                    | 34,734                          | -                                    | 351,592          |
| Other revenue                                                                | -                           | -                         | -                               | -                                    | -                |
| Cost of goods sold                                                           | (209,181)                   | (87,012)                  | (12,365)                        | -                                    | (308,558)        |
| <b>Gross margin</b>                                                          | <b>12,365</b>               | <b>8,300</b>              | <b>22,369</b>                   | <b>-</b>                             | <b>43,034</b>    |
| Gain on revaluation of investment in associate                               | -                           | 7,658                     | -                               | -                                    | 7,658            |
| Other operating and administrative expenses                                  | (3,817)                     | (6,880)                   | (9,716)                         | (15,716)                             | (36,129)         |
| Exploration tenement write-off                                               | (854)                       | -                         | -                               | -                                    | (854)            |
| Net foreign exchange loss                                                    | -                           | -                         | (3,361)                         | 6,355                                | 2,994            |
| Share of profits of associates                                               | -                           | 843                       | -                               | -                                    | 843              |
|                                                                              | <b>7,694</b>                | <b>9,921</b>              | <b>9,292</b>                    | <b>(9,361)</b>                       | <b>17,546</b>    |
| Depreciation and amortisation                                                | (17,024)                    | (7,503)                   | (17,573)                        | -                                    | (42,100)         |
| Loss on disposal                                                             | -                           | -                         | (102,124)                       | -                                    | (102,124)        |
| Net finance expense                                                          | -                           | (1,489)                   | (5,546)                         | (31,275)                             | (38,310)         |
|                                                                              | <b>(9,330)</b>              | <b>929</b>                | <b>(115,951)</b>                | <b>(40,636)</b>                      | <b>(164,988)</b> |
| Loss before income tax                                                       |                             |                           |                                 |                                      | (164,988)        |
| Income tax expense                                                           |                             |                           |                                 |                                      | 15,395           |
| <b>Profit after income tax benefit</b>                                       |                             |                           |                                 |                                      | <b>(149,593)</b> |
| <b>Assets</b>                                                                |                             |                           |                                 |                                      |                  |
| Segment assets                                                               | 259,309                     | 359,142                   | -                               | 4,493                                | 622,944          |
| <b>Total assets</b>                                                          | <b>259,309</b>              | <b>359,142</b>            | <b>-</b>                        | <b>4,493</b>                         | <b>622,944</b>   |
| <b>Total assets include additions and acquisitions of non-current assets</b> |                             |                           |                                 |                                      |                  |
| Property, plant and equipment                                                | 17,632                      | 208,326                   | 30,605                          | -                                    | 256,563          |
| Exploration and evaluation                                                   | 383                         | 112,200                   | -                               | -                                    | 112,583          |
|                                                                              | <b>18,015</b>               | <b>320,526</b>            | <b>30,605</b>                   | <b>-</b>                             | <b>369,146</b>   |
| <b>Liabilities</b>                                                           |                             |                           |                                 |                                      |                  |
| Segment liabilities                                                          | 137,098                     | 166,221                   | -                               | 262,636                              | 565,955          |
| <b>Total liabilities</b>                                                     | <b>137,098</b>              | <b>166,221</b>            | <b>-</b>                        | <b>262,636</b>                       | <b>565,955</b>   |
| <b>Geographical information</b>                                              |                             |                           |                                 |                                      |                  |
|                                                                              | Sales to external customers |                           | Geographical non-current assets |                                      |                  |
|                                                                              | 2021                        | 2020                      | 2021                            | 2020                                 |                  |
|                                                                              | \$'000                      | \$'000                    | \$'000                          | \$'000                               |                  |
| Australia                                                                    | 159,237                     | 221,546                   | 221,734                         | 237,640                              |                  |
| Mongolia                                                                     | -                           | 34,734                    | -                               | -                                    |                  |
| South Africa                                                                 | 389,770                     | 95,312                    | 308,018                         | 300,706                              |                  |
|                                                                              | <b>549,007</b>              | <b>351,592</b>            | <b>529,752</b>                  | <b>538,346</b>                       |                  |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.



## 4. Business combinations

### Acquisition of Universal Coal plc

Following the acquisition of a 19.995% shareholding in Universal Coal plc (**Universal** or **UNV**) in October 2019, on 3 February 2020, TerraCom announced a takeover offer, through its wholly owned subsidiary TCIG Resources Pte Ltd to acquire the entire issued and to be issued share capital of Universal not already directly or indirectly owned by it. The offer price per UNV security consisted of 10 cents cash and 0.6026 new TerraCom shares.

From 3 February 2020 to 31 March 2020, TerraCom acquired Universal shares via a take-over process increasing its ownership interest in stages. Control over Universal was obtained on 27 March 2020 (the **Acquisition Date**) and accordingly TerraCom has consolidated the results from Universal's operations from this date. From the Acquisition Date to 30 June 2020 the Group acquired the remaining share capital in UNV, owning 100% of the entity at 30 June 2020.

The acquisition of Universal aligns with the Company's ongoing corporate strategy and enables the Company to enter into an emerging market, yet at the same time reducing the Company's sovereign risk profile with new investments in South Africa.

### Assets acquired and liabilities assumed:

The fair value of identifiable assets and liabilities of Universal as at the Acquisition Date were:

|                                                        | Provisional<br>Fair Value<br>\$'000 | Adjustment<br>\$'000 | Finalised<br>Fair Value<br>\$'000 |
|--------------------------------------------------------|-------------------------------------|----------------------|-----------------------------------|
| Cash and cash equivalents                              | 21,528                              | -                    | 21,528                            |
| Trade and other receivables                            | 91,208                              | (3,662)              | 87,546                            |
| Inventories                                            | 15,063                              | -                    | 15,063                            |
| Restricted cash                                        | 770                                 | -                    | 770                               |
| Property, plant and equipment                          | 203,435                             | -                    | 203,435                           |
| Exploration and evaluation                             | 115,402                             | (3,701)              | 111,701                           |
| Financial asset                                        | 3,653                               | -                    | 3,653                             |
| Loan payable to external shareholders                  | (4,218)                             | -                    | (4,218)                           |
| Trade and other payables                               | (93,777)                            | -                    | (93,777)                          |
| Borrowings                                             | (11,464)                            | -                    | (11,464)                          |
| Provisions                                             | (79,307)                            | -                    | (79,307)                          |
| Financial liabilities                                  | (1,039)                             | -                    | (1,039)                           |
| Deferred tax                                           | (42,289)                            | 1,036                | (41,253)                          |
| <b>Net assets acquired</b>                             | <b>218,965</b>                      | <b>(6,327)</b>       | <b>212,638</b>                    |
| Non-controlling interest                               | (108,667)                           | 3,834                | (104,833)                         |
| <b>Acquisition-date fair value at TerraCom's share</b> | <b>110,298</b>                      | <b>(2,492)</b>       | <b>107,805</b>                    |
| <b>Representing</b>                                    |                                     |                      |                                   |
| Investment in associate at acquisition (27 March 2020) | 99,848                              | -                    | 99,848                            |
| Impact of equity accounting post acquisition           | 299                                 | -                    | 299                               |
| Gain on revaluation of associate on acquisition        | 10,151                              | (2,492)              | 7,658                             |
|                                                        | <b>110,298</b>                      | <b>(2,492)</b>       | <b>107,805</b>                    |

Due to the size and complexity of this acquisition, proximity to year end, and travel restrictions arising due to COVID-19 the Company disclosed only provisional fair value at June 2020. The Company has amended the fair value as new information became available that existed at the acquisition date.

The Group in collaboration with an independent valuation expert used a discounted cash flow models to estimate the expected future cash flows of Universal's operating mines, based on the life-of-mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date. Additional resources which were not included in the life-of-mine plan and exploration potential were separately valued in collaboration with an independent valuation expert using a market approach, evaluating recent comparable transactions and are included above as part of 'Exploration and evaluation assets'.



## 4. Business combinations (continued)

The fair value of property, plant and equipment and exploration and evaluation assets is represented by the value of the mining rights and prospecting rights of Universal, including the 4 operating mines (Kangala Colliery, New Clydesdale Colliery, North Block Complex, and Ubuntu Colliery) and 2 exploration projects (Eloff, and Berenice and Cygnus).

The fair value of working capital (trade and other receivables, inventory, and trade and other payables) represents the full contractual amounts that will be collected, sold or paid.

The fair value of borrowings represents the fair value of total loans payable to Investec and Capital Harvest. The following amendments were made to the acquisition price since June 2020:

1. Trade and other receivables: Diesel rebate receivables of \$3.7 million that was included in receivables at 31 March 2020 has been identified as impaired/not recoverable and has been removed from the receivables balance at 31 March 2021.
2. Exploration and evaluation asset: amended to the reported June 2020 resource statement instead of the June 2019 resource statement, which the original valuation was based on. This resulted in a reduction of \$3.7 million to \$111.7 million.
3. Deferred tax: amended to reflect the income tax adjustment at the average income tax rate of the amendment to the exploration and evaluation assets.

Performance from Acquisition Date to 30 June 2020:

From the Acquisition Date to 30 June 2020, Universal has contributed \$95,312,000 revenue and a loss after tax of \$842,000.

If the business combination had taken place at the beginning of the year, revenue would have been \$451,922,000 and profit before tax would have been \$20,251,000.

Transaction costs of \$6,035,000 were expensed and are included in other operating and administration expenses in the period to 30 June 2020.

|                                  | Consolidated<br>2021<br>\$ '000 | 2020<br>\$ '000 |
|----------------------------------|---------------------------------|-----------------|
| <b>Purchase consideration</b>    |                                 |                 |
| Cash consideration (1)           | -                               | 49,432          |
| Shares issued, at fair value (2) | -                               | 50,416          |
| <b>Total consideration</b>       | <b>-</b>                        | <b>99,848</b>   |

(1) The cash consideration for the Universal acquisition was 10 cents per Universal share held. The Company acquired 321,217,068 shares in Universal as at 27 March 2020 under the takeover, however as at that date the Company held a total shareholding equivalent to 81.48%, representing 61.49% of Universal acquired under the takeover offer and 19.995% acquired by the Company prior to the takeover offer). Cash consideration in the amount of \$32,121,707 was paid to acquire the 61.49% of Universal and an additional \$17,310,191 cash consideration was paid for the initial 19.995%).

(2) The equity consideration for the Universal acquisition was 0.6026 new TerraCom shares per Universal share held. The Company issued 193,565,407 ordinary shares as consideration for the 81.48% interest in Universal. The fair value of the shares was calculated with reference to the quoted price of the shares of the Company on each issue date of the shares. The fair value of the equity component of the consideration was therefore \$36,564,276 (in addition to the \$13,852,257 in shares issued for the initial 19.995%).

The Group acquired the remaining 18.52% of Universal prior to 30 June 2020, for a total consideration of \$18.17 million (cash consideration of \$9.68 million and TerraCom shares at fair value of \$8.49 million). Increases in the ownership after acquisition (27 March 2020) do not result in the recognition of a gain or loss. The acquisition of these shares was treated as discrete transactions rather than part of a single acquisition arrangement.



## 4. Business combinations (continued)

The impact of the finalisation of the fair values resulted in a restatement as follows:

|                                                    | 2020<br>\$'000<br>Original | \$'000  | 2020<br>\$'000<br>Restated |
|----------------------------------------------------|----------------------------|---------|----------------------------|
| Trade and other receivables                        | 48,201                     | (3,662) | 44,539                     |
| Exploration and evaluation                         | 154,589                    | (3,701) | 150,888                    |
| Deferred tax                                       | (42,291)                   | 1,036   | (41,255)                   |
| Accumulated losses                                 | (364,141)                  | (2,492) | (366,633)                  |
| Non-controlling interest                           | 74,887                     | (3,834) | 71,053                     |
| Net gain on revaluation of investment in associate | 10,151                     | (2,492) | 7,658                      |

### Consolidated

| 2021    | 2020    |
|---------|---------|
| \$ '000 | \$ '000 |

## 5. Financial income

Interest income

|       |       |
|-------|-------|
| 1,261 | 1,716 |
|-------|-------|

## 6. Financial expense

Interest expense on interest bearing loans

Other interest and finance expense

**Total finance costs**

|        |        |
|--------|--------|
| 37,218 | 33,172 |
| 8,936  | 1,308  |
| 46,154 | 34,480 |

### Other interest and finance expense

Other interest and finance expense includes special interest amortisation, borrowing cost amortisation, royalties and changes in amortised cost of financial instruments, refer to Note 21.



## 7. Discontinued operations

### Description

On 23 June 2020, the Company completed the sale of its Mongolian operations to Bridge Resources Pte Ltd (**Bridge**) for US\$3.0. This transaction was completed via 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).

Financial information relating to the discontinued operation for the period to date of disposal is set out below.

|                                                                               | Consolidated    |                  |
|-------------------------------------------------------------------------------|-----------------|------------------|
|                                                                               | 2021<br>\$ '000 | 2020<br>\$ '000  |
| <b>(A) Financial performance information</b>                                  |                 |                  |
| Coal Sales                                                                    | -               | 34,734           |
| Cost of goods sold                                                            | -               | (12,365)         |
| Other operating and administration expenses                                   | -               | (9,716)          |
| Depreciation and amortisation                                                 | -               | (17,573)         |
| Net foreign exchange (loss)/gain                                              | -               | (3,361)          |
| Net finance costs                                                             | -               | (5,546)          |
| Total expenses                                                                | -               | (48,561)         |
| Loss before income tax expense                                                | -               | (13,827)         |
| Income tax expense                                                            | -               | (82)             |
| Loss after income tax expense                                                 | -               | (13,909)         |
| Loss on disposal before income tax                                            | -               | (102,124)        |
| Income tax expense                                                            | -               | -                |
| <b>Loss on disposal after income tax expense</b>                              | <b>-</b>        | <b>(102,124)</b> |
| <b>Loss after income tax expense from discontinued operations</b>             | <b>-</b>        | <b>(116,033)</b> |
| <b>(B) Cash flow information</b>                                              |                 |                  |
| Net cash used in operating activities                                         | -               | (26,218)         |
| Net cash from investing activities                                            | -               | 418              |
| Net cash used in financing activities                                         | -               | (4,002)          |
| <b>Net decrease in cash and cash equivalents from discontinued operations</b> | <b>-</b>        | <b>(29,802)</b>  |
| <b>(C) Carrying amounts of assets and liabilities disposed</b>                |                 |                  |
| Cash and cash equivalents                                                     | -               | 320              |
| Current trade and other receivables                                           | -               | 5,161            |
| Inventories                                                                   | -               | 5,254            |
| Other current assets                                                          | -               | 4,318            |
| Non-current trade and other receivables                                       | -               | 4,074            |
| Property, plant and equipment                                                 | -               | 157,051          |
| Exploration and evaluation                                                    | -               | 4,543            |
| Other non-current assets                                                      | -               | 158,201          |
| <b>Total assets</b>                                                           | <b>-</b>        | <b>338,922</b>   |
| Trade and other payables                                                      | -               | 58,491           |
| Borrowings                                                                    | -               | 8,990            |
| Provisions                                                                    | -               | 1,455            |
| Deferred revenue                                                              | -               | 29,375           |
| Other liabilities                                                             | -               | 144,933          |
| <b>Total liabilities</b>                                                      | <b>-</b>        | <b>243,244</b>   |
| <b>Net assets</b>                                                             | <b>-</b>        | <b>95,678</b>    |

# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 7. Discontinued operations (continued)

### (D) Details of the sale of the subsidiary

Carrying amount of net liabilities disposed  
Derecognition of foreign currency reserve  
Loss on disposal before income tax

Income tax expense

Loss on disposal after income tax

| Consolidated |           |
|--------------|-----------|
| 2021         | 2020      |
| \$ '000      | \$ '000   |
| -            | (95,678)  |
| -            | (6,446)   |
| -            | (102,124) |
| -            | -         |
| -            | (102,124) |

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank

| Consolidated |         |
|--------------|---------|
| 2021         | 2020    |
| \$ '000      | \$ '000 |
| 11,186       | 10,108  |

## 9. Trade and other receivables

Trade receivables

Other receivables

| Consolidated |                     |
|--------------|---------------------|
| 2021         | 2020                |
| \$ '000      | Restated<br>\$ '000 |
| 57,067       | 32,663              |
| 10,165       | 11,876              |
| 67,232       | 44,539              |

The other receivables includes refundable Value Added Tax (VAT), Goods and Services Tax (GST) and Diesel Rebate receivable.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate to their fair value. The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Trade receivables is net of provisions for bad debts. The remaining receivables are with customers with an established history of recoverability and any expected loss will be immaterial (less than 1%).

## 10. Inventories

Coal stock

Consumables and stores

| Consolidated |         |
|--------------|---------|
| 2021         | 2020    |
| \$ '000      | \$ '000 |
| 21,010       | 25,694  |
| 707          | 937     |
| 21,717       | 26,631  |

Coal inventory has been valued at the lower of cost or net realisable value.

# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 11. Restricted cash

|                 | Consolidated  |               |
|-----------------|---------------|---------------|
|                 | 2021          | 2020          |
|                 | \$ '000       | \$ '000       |
| Bank deposit    | 2,032         | 2,647         |
| Secured deposit | 45,000        | 45,000        |
|                 | <b>47,032</b> | <b>47,647</b> |

The bank deposit consists of the following:

- \$2.00 million held by the State Bank of India, Sydney Branch as required under for both the facilities as per the agreement. Please refer to Note 18 for more information regarding this facility agreement.
- \$0.03 million consists 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 an 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. In the 2019 financial year, the Company completed an insurance bond facility of approximately \$72.0 million, however only requires a cash backing of \$45.0 million. The secured deposit is held by Westpac, which at reporting date was bearing an interest rate of 0.25% per annum, with interest payable 6 monthly in arrears.

## 12. Other financial assets

|                                  | Consolidated |         |
|----------------------------------|--------------|---------|
|                                  | 2021         | 2020    |
|                                  | \$ '000      | \$ '000 |
| Mining rehabilitation guarantees | 8,632        | 4,737   |

Legislation stipulates that all mining operations within South Africa are required to make a provision for environmental rehabilitation during the Life of Mine and at closure. In line with this requirement, the Group has entered into policies with a reputable insurance broker to set aside funds for aforementioned purposes. On the back of these policies, the insurance broker provides the required mining rehabilitation guarantees which are accepted by South Africa's Department of Mineral Resources. The Group makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against the Group assets over a period of time.

This financial asset comprises the premium paid to the insurer, plus interest, less charges and claims paid by the insurer to the Group and is measured at amortised cost, as the formula includes the effect of the time value of money.



# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 13. Property, plant and equipment

| Consolidated              | Cost           | 2021<br>Accumulated<br>depreciation | Carrying value | Cost           | 2020<br>Accumulated<br>depreciation | Carrying<br>value |
|---------------------------|----------------|-------------------------------------|----------------|----------------|-------------------------------------|-------------------|
|                           | \$'000         | \$'000                              | \$'000         | \$'000         | \$'000                              | \$'000            |
| Land and buildings        | 5,831          | -                                   | 5,831          | 6,344          | -                                   | 6,344             |
| Right-of-use assets       | 4,507          | (2,219)                             | 2,288          | 6,843          | (2,108)                             | 4,735             |
| Plant and equipment       | 54,536         | (23,037)                            | 31,499         | 48,280         | (16,510)                            | 31,770            |
| Capital works in progress | 21,108         | -                                   | 21,108         | 27,797         | -                                   | 27,797            |
| Mine development          | 395,530        | (143,803)                           | 251,727        | 344,089        | (113,009)                           | 231,080           |
| <b>Total</b>              | <b>481,512</b> | <b>(169,059)</b>                    | <b>312,453</b> | <b>433,353</b> | <b>(131,627)</b>                    | <b>301,726</b>    |

### Reconciliation of property, plant and equipment - 2021

| Consolidated              | Opening<br>balance<br>\$'000 | Additions<br>\$'000 | Disposals<br>\$'000 | Transfers<br>\$'000 | Change in<br>estimate *<br>\$'000 | Exchange<br>differences<br>\$'000 | Depreciation<br>\$'000 | Total<br>\$'000 |
|---------------------------|------------------------------|---------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|------------------------|-----------------|
| Land and buildings        | 6,344                        | -                   | -                   | -                   | -                                 | (513)                             | -                      | 5,831           |
| Right-of-use assets       | 4,735                        | 1,329               | (1,535)             | -                   | (433)                             | (206)                             | (1,602)                | 2,288           |
| Plant and equipment       | 31,770                       | 1,566               | (183)               | 4,446               | -                                 | (570)                             | (5,530)                | 31,499          |
| Capital works in progress | 27,797                       | 25,089              | -                   | (33,232)            | -                                 | 1,454                             | -                      | 21,108          |
| Mine development          | 231,080                      | 1,235               | (808)               | 28,786              | 10,292                            | 13,054                            | (31,912)               | 251,727         |
|                           | <b>301,726</b>               | <b>29,219</b>       | <b>(2,526)</b>      | <b>-</b>            | <b>9,859</b>                      | <b>13,219</b>                     | <b>(39,044)</b>        | <b>312,453</b>  |

\* Right of use change in estimate relates to modifications to leases and mine development change in estimate relates to rehabilitation asset adjustments for changes in assumptions.

# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 13. Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2020

|                           | Opening<br>balance | Additions     | Additions<br>through<br>business<br>combinations<br>(note 4) | Disposals as a<br>result of<br>discontinued<br>operations | Transfers<br>in/(out) | Effect of<br>adoption of<br>AASB 16 -<br>Leases | Exchange<br>differences | Depreciation    | Total          |
|---------------------------|--------------------|---------------|--------------------------------------------------------------|-----------------------------------------------------------|-----------------------|-------------------------------------------------|-------------------------|-----------------|----------------|
| Consolidated              | \$'000             | \$'000        | \$'000                                                       | \$'000                                                    | \$'000                | \$'000                                          | \$'000                  | \$'000          | \$'000         |
| Land and buildings        | 6,230              | -             | -                                                            | -                                                         | -                     | -                                               | 114                     | -               | 6,344          |
| Right-of-use assets       | -                  | 16,865        | 1,121                                                        | (21,866)                                                  | -                     | 19,571                                          | (12)                    | (10,944)        | 4,735          |
| Plant and equipment       | 16,203             | 146           | 11,842                                                       | (104)                                                     | 8,025                 | -                                               | (726)                   | (3,616)         | 31,770         |
| Capital works in progress | 474                | 13,691        | 40,164                                                       | -                                                         | (24,853)              | -                                               | (1,679)                 | -               | 27,797         |
| Mine development          | 230,878            | 3,853         | 150,308                                                      | (135,081)                                                 | 17,467                | -                                               | (8,805)                 | (27,540)        | 231,080        |
|                           | <b>253,785</b>     | <b>34,555</b> | <b>203,435</b>                                               | <b>(157,051)</b>                                          | <b>639</b>            | <b>19,571</b>                                   | <b>(11,108)</b>         | <b>(42,100)</b> | <b>301,726</b> |

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## 13. Property, plant and equipment (continued)

### Right-of-use Assets

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

### Impairment

At each reporting period, the Company assesses whether there are indicators of impairment or impairment reversal with respect to its mining assets. When indicators of impairment or impairment reversal are identified, impairment testing is performed to determine their recoverable amount. If the carrying value of the assets exceeds this recoverable amount, an impairment loss is charged to the Statement of Comprehensive Income with a corresponding reduction in the asset value. If the recoverable amount exceeds the carrying value for an asset which was previously impaired a partial or full reversal is recorded.

For mining assets, the expected future cash flows are based on a number of factors, variables and assumptions. In most cases, the present value of future cash flows is most sensitive to estimates of future commodity price, foreign exchange and discount rates. The future cash flows for the FVLCD calculation are based on estimates, the most significant of which are coal reserves, future production profiles, commodity prices, operating costs, any future development costs necessary to produce the reserves and value attributable to additional resource and exploration opportunities beyond reserves based on production plans. The FVLCD calculation is categorised within level 3 of the fair value hierarchy.

Future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. The Group's coal price forecasts include the expected impact of climate change and potential policy responses as one of the many factors that can affect long term scenarios. The Group's independent research into forecast coal consumption suggests that the global demand for the Group's products will continue over the life of the respective fields. Future commodity prices are reviewed at least annually. Where volumes are contracted, future prices are based on the contracted price.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's CGUs could change materially and result in impairment losses or the reversal of previous impairment losses.

Some of the Australian exploration and evaluation assets (refer note 14) have been impaired during the period. Total impairment during the year ended 30 June 2021 of \$33.6 million (30 June 2020: nil). The Group made the decision to impair a number of its Australian Exploration and Evaluation assets due to a change in business strategy for the Group to be a diversified bulk commodities producer with a focus on its other South African and Australian exploration and evaluation assets, as well as other bulk commodities that are not currently owned by the Group.

# TerraCom Limited

Consolidated notes to the financial statements for the year ended 30 June 2021



## 14. Exploration and evaluation assets

| Consolidated               | 2021           |                      |                          | 2020 Restated  |                      |                          |
|----------------------------|----------------|----------------------|--------------------------|----------------|----------------------|--------------------------|
|                            | Cost<br>\$'000 | Impairment<br>\$'000 | Carrying value<br>\$'000 | Cost<br>\$'000 | Impairment<br>\$'000 | Carrying value<br>\$'000 |
| Exploration and evaluation | 157,144        | (33,576)             | 123,568                  | 150,888        | -                    | 150,888                  |

### Reconciliation of exploration and evaluation assets - 2021

| Consolidated               | Opening<br>balance<br>\$'000 | Additions<br>\$'000 | Exchange<br>differences<br>\$'000 | Impairment<br>loss<br>\$'000 | Total<br>\$'000 |
|----------------------------|------------------------------|---------------------|-----------------------------------|------------------------------|-----------------|
| Exploration and evaluation | 150,888                      | 952                 | 5,304                             | (33,576)                     | 123,568         |

### Reconciliation of exploration and evaluation assets - 2020 (Restated)

|  | Opening<br>balance<br>\$'000 | Additions<br>\$'000 | Additions<br>through<br>business<br>combinations<br>(note 4)<br>\$'000 | Disposals as a<br>result of<br>discontinued<br>operations<br>\$'000 | Transfers<br>in/(out)<br>\$'000 | Revaluation<br>increments<br>\$'000 | Exchange<br>differences<br>\$'000 | Write off of<br>assets<br>\$'000 | Total<br>\$'000 |
|--|------------------------------|---------------------|------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------|-------------------------------------|-----------------------------------|----------------------------------|-----------------|
|  | 48,031                       | 1,031               | 111,701                                                                | (4,543)                                                             | (639)                           | (172)                               | (3,655)                           | (866)                            | 150,888         |

### Exploration and evaluation

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The current balance relates to a number of areas of interest in Australia and South Africa. The carrying values of the Exploration Assets is assessed at every reporting period and even though there has been no change in intent or value in project value once developed, the Company has considered numerous other factors that affect the carrying value of these assets.

The Group made the decision to impair a number of its Australian Exploration and Evaluation assets due to a change in business strategy for the Group to be a diversified bulk commodities producer with a focus on its to other South African and Australian exploration and evaluation assets, as well as other bulk commodities that are not currently owned by the Group. As a result of this, the Group has recognized an impairment of \$33,576,000 in the Statement of Profit or Loss for the year ended 30 June 2021 (30 June 2020: nil).

The Mongolian exploration assets were disposed of on 23 June 2020 as part of the sale to Bridge Resources Pte Ltd.



## 14. Exploration and evaluation assets (continued)

### Australian mining tenements

| Tenement number | Operation/Project             | Location                               | 2021 %   | 2020 %   |
|-----------------|-------------------------------|----------------------------------------|----------|----------|
| EPC 1260        | Northern Galilee (Clyde Park) | Charters Towers, Queensland, Australia | 64.40 %  | 64.40 %  |
| EPC 1300        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 1394        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 1477        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 1478        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 1641        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 2049        | Northern Galilee (Hughenden)  | Charters Towers, Queensland, Australia | 100.00 % | 100.00 % |
| EPC 1890        | Northern Galilee (Pentland)   | Rockhampton, Queensland, Australia     | 100.00 % | 100.00 % |
| EPC 1892        | Northern Galilee (Pentland)   | Rockhampton, Queensland, Australia     | 100.00 % | 100.00 % |
| EPC 1893        | Northern Galilee (Pentland)   | Rockhampton, Queensland, Australia     | 100.00 % | 100.00 % |
| EPC 1962        | Northern Galilee (Pentland)   | Rockhampton, Queensland, Australia     | 100.00 % | 100.00 % |
| EPC 1964        | Northern Galilee (Pentland)   | Rockhampton, Queensland, Australia     | 100.00 % | 100.00 % |
| EPC 1674        | Springsure (Springsure)       | Emerald, Queensland, Australia         | 90.07 %  | 90.07 %  |
| MDL 3002        | Springsure (Springsure)       | Emerald, Queensland, Australia         | 90.07 %  | 90.07 %  |
| EPC 1103        | Springsure (Fernlee)          | Emerald, Queensland, Australia         | 100.00 % | 100.00 % |
| ML 1804         | Blair Athol                   | Blair Athol, Queensland, Australia     | 100.00 % | 100.00 % |

14. Exploration and evaluation assets (continued)

South African mining and prospecting rights acquired

| Tenement number                | Operation/Project            | Location                                                 | 2021<br>% | 2020<br>% |
|--------------------------------|------------------------------|----------------------------------------------------------|-----------|-----------|
| MP30/5/1/2/2/429MR             | Kangala Colliery             | Delmas, Mpumalanga Province,<br>South Africa             | 70.50 %   | 70.50 %   |
| MP30/5/1/1/2/641PR             | Kangala Colliery             | Delmas, Mpumalanga Province,<br>South Africa             | 70.50 %   | 70.50 %   |
| LP30/5/1/1/2/376PR             | Berenice Project             | Waterpoort, Limpopo Province,<br>South Africa            | 50.00 %   | 50.00 %   |
| MP30/5/1/2/2/10027MR           | Ubuntu Colliery              | Delmas, Mpumalanga Province,<br>South Africa             | 48.90 %   | 48.90 %   |
| MP30/5/1/1/2/492MR             | New Clydesdale Colliery      | Kriel, Mpumalanga Province,<br>South Africa              | 49.00 %   | 49.00 %   |
| MP30/5/1/2/2/10169MR           | Eloff Project                | Delmas, Mpumalanga Province,<br>South Africa             | 49.00 %   | 49.00 %   |
| MP30/5/1/2/1/326MR             | North Block Complex Colliery | Belfast, Mpumalanga Province,<br>South Africa            | 49.00 %   | 49.00 %   |
| MP30/5/1/1/2/19MR<br>(10068MR) | North Block Complex Colliery | Belfast, Mpumalanga Province,<br>South Africa            | 49.00 %   | 49.00 %   |
| MP30/5/1/2/2/10090MR           | North Block Complex Colliery | Belfast, Mpumalanga Province,<br>South Africa            | 49.00 %   | 49.00 %   |
| LP30/5/1/1/2/1276PR            | Cygnus Project               | All Days (Waterpoort), Limpopo<br>Province, South Africa | 50.00 %   | 50.00 %   |

15. Other non-current assets

|                                                                                                                                                                                                    | Consolidated    |                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                                                                                                    | 2021<br>\$ '000 | 2020<br>\$ '000 |
| Other cash deposits                                                                                                                                                                                | 12,396          | 8,253           |
| Other deposits comprise mainly of refundable security deposits paid to Dalrymple Bay Coal Terminal and Aurizon Network for port and below rail contract security for the Blair Athol supply chain. |                 |                 |

16. Ndalamo loan

|                                                        | Consolidated    |                 |
|--------------------------------------------------------|-----------------|-----------------|
|                                                        | 2021<br>\$ '000 | 2020<br>\$ '000 |
| Ndalamo Resources (Pty) Limited - loan receivable      | 8,736           | 11,798          |
| Ndalamo Resources (Pty) Limited - loan payable         | (9,533)         | (19,181)        |
|                                                        | <b>(797)</b>    | <b>(7,383)</b>  |
| <b>Split between current and non-current portions:</b> |                 |                 |
| Current asset                                          | 4,368           | -               |
| Non-current liability                                  | (5,165)         | (7,383)         |
|                                                        | <b>(797)</b>    | <b>(7,383)</b>  |

The loan receivable was established in 2015 for funding contributions to the acquisition and development of the New Clydesdale Colliery which is owned jointly by Ndalamo Resources (Pty) Ltd (Ndalamo) and Universal Coal Energy Holdings South Africa (Pty) Ltd (UCEHSA). The loan is secured against a second ranking share pledge (after SBSA) of Ndalamo's shares in Universal Coal Development IV (Pty) Ltd and Universal Coal Development VIII (Pty) Ltd, bears interest at Prime plus 1% and is fully repayable by 30 June 2023 in varying capital instalments.

The loan payable to Ndalamo has been subsequently established as a result of Ndalamo's development contributions to the South African subsidiaries that are jointly owned by Ndalamo and UCEHSA. The loans payable bear interest at Prime and have no fixed terms of repayment. UCEHSA has a similar loan owing to it from the subsidiaries on the same terms; however, due to the consolidation process the UCEHSA loan payable is not recognised on the face of the Group's Balance Sheet.

## 17. Trade and other payables

|                          | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--------------------------|-----------------|-----------------|
| Trade and other payables | 124,699         | 106,770         |

Due to the short-term nature, the current trade and other payables have a carrying value which approximates their fair value.

## 18. Borrowings

|                                                        | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--------------------------------------------------------|-----------------|-----------------|
| Listed (Euroclear) bond                                | 222,287         | 215,098         |
| State Bank of India facilities                         | 11,470          | 10,440          |
| Investec project finance facility                      | -               | 1,222           |
| Capital Harvest project finance facility               | -               | 7,229           |
| Convertible note facility                              | 26,684          | 25,366          |
| Prepayment facility                                    | 2,668           | -               |
| Standard Bank of South Africa facilities               | 51,487          | -               |
|                                                        | <b>314,596</b>  | <b>259,355</b>  |
| <b>Split between current and non-current portions:</b> |                 |                 |
| Current liabilities                                    | 245,178         | 219,751         |
| Non-current liabilities                                | 69,418          | 39,604          |
|                                                        | <b>314,596</b>  | <b>259,355</b>  |

### Listed (Euroclear) Bond

The Listed (Euroclear) Bond was fully drawn down on 30 June 2021. The facility is denominated in United States Dollars (USD) and bears a cash interest rate of 12.5% per annum, payable 6 monthly in arrears. The maturity date of the facility was extended from 30 June 2021 to 3 September 2021, with a redemption value of US\$169.0 million, which includes unpaid interest and fees capitalised over the bond term. This facility includes a special interest component which has been treated as a separate non-derivative financial liability but has been fully amortised at 30 June 2021. 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.

### State Bank of India facilities

Facility 1 (Clermont Houses) - This facility, entered into on 7 June 2018, is for a period of 60 months from commencement date and currently bears an interest rate of 1-month BBSY plus a margin of 5.75%. Monthly principal repayments of A\$0.24 million commenced in December 2018 and will continue until November 2021. The monthly principal repayments then change to A\$0.37 million from December 2021 to April 2023. A final principal repayment of A\$0.07 million will be made in May 2023.

Facility 2 (Excavator) - This facility, entered into on 5 March 2021 for A\$4.27 million, for a period of 36 months from commencement date and bears an interest rate of 1-month BBSY plus a margin of 6.00%. Monthly principal repayments of \$0.12 million for the first 35 months with a final repayment of \$0.07 million to be made in March 2024.

With respect to both SBI facilities, the BBSY rate for June 2021 was 0.06% (30 June 2020: 0.1409%). Under the overall facility agreement (comprising Facility 1 and Facility 2), the company is required to maintain a A\$2.00 million term deposit with SBI. Refer to Restricted cash (note 11) for further details.





## 18. Borrowings (continued)

### Convertible Note facility

On 24 December 2019 TerraCom completed a Convertible Bond Facility for US\$20 million with Madison Pacific Trust Limited being appointed as the Note Trustee, and the Initial Noteholders comprising OL Master (Singapore Fund 1) Pte Ltd (OCP Asia). The facility is for 3 years, with a redemption date of 23 December 2022 unless converted to equity 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 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.

### Standard Bank of South Africa facilities

On 10 September 2020, UCEHSA entered into new financing agreement with The Standard Bank of South Africa (SBSA), acting through its Corporate and Investment Banking division, wherein UCEHSA and its operating partners would have access to a financing facility of up to 600 million rand.

Drawn funds from the facility bear interest at three-month JIBAR plus 3.9% per annum and this is serviced quarterly, following drawdown. Repayments of the capital will commence on 30 September 2021 and will be through 16 equal quarterly payments.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable, immovable, mining and surface rights in South Africa, as well as the equity holders of the operating subsidiaries have all pledged their shares as security in the operating subsidiaries to SBSA.

### Investec project finance facility

On 31 July 2015 UCEHSA entered into financing agreements with Investec Bank Limited. The relevant interest rate for the facility was three-month JIBAR plus 4% per annum. The facility was repaid in July 2020.

### Capital Harvest project finance facility

On 19 October 2018 UCEHSA entered into financing agreements with Capital Harvest Emerging Farmer Finance (Pty) Ltd for a period of 120 months at an agreed interest rate of Prime plus a margin of 0.25%, payable quarterly in arrears. The facility was repaid on 14 September 2020 as part of the proceeds from the Standard Bank of South Africa facility.

### Prepayment facility

During the year, the Group entered a coal sales prepayment facility for US\$8 million, with US\$6 million being repaid during the same period. The remaining US\$2 million was repaid post 30 June 2021.

## 19. Lease liabilities

Lease liabilities are secured over the leased assets to which they relate. Set out below are the carrying amounts of lease liabilities and the movements during the period:

|                       | 2021<br>\$ '000 | 2020<br>\$ '000 |
|-----------------------|-----------------|-----------------|
| As at 1 July          | 4,939           | 19,571          |
| Additions             | 1,396           | 1,799           |
| Accretion of interest | 304             | 1,881           |
| Fair value adjustment | (78)            | -               |
| Disposals             | (2,241)         | (11,578)        |
| Payments              | (1,014)         | (6,606)         |
| Exchange differences  | (225)           | (128)           |
|                       | <b>3,081</b>    | <b>4,939</b>    |



## 19. Lease liabilities (continued)

|                                             | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---------------------------------------------|-----------------|-----------------|
| Within one year                             | 2,801           | 2,589           |
| After one year but not more than five years | 437             | 2,473           |
| More than five years                        | 9               | 1,159           |
| Minimum lease payments                      | 3,247           | 6,221           |
| Less finance charges component              | (166)           | (1,282)         |
|                                             | <b>3,081</b>    | <b>4,939</b>    |
| Current liabilities                         | 2,801           | 2,273           |
| Non-current liabilities                     | 280             | 2,666           |
|                                             | <b>3,081</b>    | <b>4,939</b>    |

The following are the amounts recognised in profit or loss:

|                                                                         | 2021<br>\$ '000 | 2020<br>\$ '000 |
|-------------------------------------------------------------------------|-----------------|-----------------|
| Depreciation expense of right-of-use assets                             | 1,602           | 5,314           |
| Interest expenses on lease liabilities                                  | 304             | 1,881           |
| Expenses relating to short-term leases (included in cost of goods sold) | -               | 41              |
| Expenses relating to leases of low-value assets                         | 92              | 108             |
| Variable lease payments                                                 | -               | 2,009           |
| <b>Total amount recognised in profit of loss</b>                        | <b>1,998</b>    | <b>9,353</b>    |

## 20. Provisions

### Environmental

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 (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. 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.

### Reconciliation of provisions - 2021

|                                        | Opening<br>balance | Change in<br>Estimate | Unwinding of<br>discount | Exchange<br>differences<br>(3) | Total          |
|----------------------------------------|--------------------|-----------------------|--------------------------|--------------------------------|----------------|
|                                        | \$ '000            | \$ '000               | \$ '000                  | \$ '000                        | \$ '000        |
| <b>Mine rehabilitation and closure</b> |                    |                       |                          |                                |                |
| Blair Athol (1)                        | 69,542             | 1,094                 | -                        | -                              | 70,636         |
| Eloff and Kangala                      | 3,744              | 52                    | -                        | 386                            | 4,182          |
| New Clydesdale Colliery                | 34,234             | 1,496                 | 1,066                    | 3,860                          | 40,656         |
| North Block Colliery                   | 33,011             | (112)                 | 1,000                    | 3,419                          | 37,318         |
| Ubuntu Colliery (2)                    | 3,407              | 7,344                 | 115                      | 822                            | 11,688         |
|                                        | <b>143,938</b>     | <b>9,874</b>          | <b>2,181</b>             | <b>8,487</b>                   | <b>164,480</b> |

A significant amount of the movement in the rehabilitation provision relates to the non-cash accounting adjustments (that is, no change in the underlying rehabilitation that is required to be completed):

(1) The increase in the Blair Athol mine rehabilitation provision relates to the year on the year change in macro assumptions relating to inflation and discount rate.

(2) \$7.34 million of the increase is the application of accounting for rehabilitation asset and rehabilitation provision. There is a corresponding asset increase in property, plant and equipment (refer note 13).

(3) \$8.49 million of the increase in the provision relate to fluctuation in exchange rates year on year when converting the South African Rand denominated provision to the Australian Dollar presentation currency.



20. Provisions (continued)

Reconciliation of provisions - 2020

|                                                           | Opening balance | Additions through business combinations (note 4) | Derecognised on sale of Mongolia | Unwinding of discount | Exchange differences | Total          |
|-----------------------------------------------------------|-----------------|--------------------------------------------------|----------------------------------|-----------------------|----------------------|----------------|
|                                                           | \$ '000         | \$ '000                                          | \$ '000                          | \$ '000               | \$ '000              | \$ '000        |
| Mine rehabilitation and closure                           |                 |                                                  |                                  |                       |                      |                |
| Blair Athol                                               | 69,739          | -                                                | -                                | -                     | (197)                | 69,542         |
| Eloff and Kangala                                         | -               | 3,921                                            | -                                | 86                    | (263)                | 3,744          |
| New Clydesdale Colliery                                   | -               | 36,442                                           | -                                | 448                   | (2,656)              | 34,234         |
| North Block Colliery                                      | -               | 34,500                                           | -                                | 829                   | (2,318)              | 33,011         |
| Ubuntu Colliery                                           | -               | 3,647                                            | -                                | 4                     | (244)                | 3,407          |
| Mongolia                                                  | 1,333           | -                                                | (1,333)                          | -                     | -                    | -              |
|                                                           | <b>71,072</b>   | <b>78,510</b>                                    | <b>(1,333)</b>                   | <b>1,367</b>          | <b>(5,678)</b>       | <b>143,938</b> |
| Non-current liabilities - mine rehabilitation and closure |                 |                                                  |                                  |                       | 164,480              | 143,938        |
| Current liabilities - annual leave                        |                 |                                                  |                                  |                       | 3,360                | 1,429          |
|                                                           |                 |                                                  |                                  |                       | <b>167,840</b>       | <b>145,367</b> |

21. Financial Liabilities

|                                | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--------------------------------|-----------------|-----------------|
| <b>Current Liabilities</b>     |                 |                 |
| Special interest liability     | 540             | 1,026           |
| <b>Non-current liabilities</b> |                 |                 |
| Special interest liability     | -               | 420             |
| Derivative liability           | -               | 2,966           |
|                                | -               | <b>3,386</b>    |

*Special Interest Liability*

The Special Interest Liability is part of the Listed (Euroclear) Bond which is denominated in USD and is subject to translation at every reporting date, refer to note 18. This instrument requires the Company to pay a non-refundable payment of 0.75% of mine gate revenues from Blair Athol, payable six monthly in arrears up to the repayment of the bonds. As announced previously, the bond maturity date has been extended to 3 September 2021. This special interest has been treated as a cost of issuing the Listed (Euroclear) Bond and is being amortised over the life of the bond.

*Derivative Liability*

The convertible note (refer to note 18) includes the option to convert the notes into TerraCom shares at a price of \$0.696 per share. The liability is fully amortised at 30 June 2021.

22. Trade and other payables - Non-current liabilities

|                        | 2021<br>\$ '000 | 2020<br>\$ '000 |
|------------------------|-----------------|-----------------|
| Deferred consideration | 1,305           | 1,726           |

On 22 February 2019 Universal Coal III (Pty) Ltd entered into a five year instalment sale agreement to purchase the land for the Ubuntu Colliery. The instalment sale agreement is unsecured and is repaid in twenty quarterly payments that commenced on 30 June 2019. The current portion of this liability is included in current trade and other payables.

The fair value of non-current trade and other payables is estimated by discounting future cash flows using rates currently available for payables on similar terms.



## 23. Issued capital

|                              | 2021 Shares | 2020 Shares | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------|-------------|-------------|----------------|----------------|
| Ordinary shares - fully paid | 754,607,630 | 753,607,630 | 335,642        | 335,492        |

### Movements in ordinary share capital

| Details                                                                                                 | Date                | Shares             | Issue price | \$'000         |
|---------------------------------------------------------------------------------------------------------|---------------------|--------------------|-------------|----------------|
| Balance                                                                                                 | 30 June 2019        | 467,152,735        |             | 277,662        |
| Ordinary shares issued for the acquisition of 19.995% of issued capital in Universal Coal Plc           | 30 October 2019     | 34,203,104         | \$0.4050    | 13,852         |
| Share issuance expense on Universal Coal Acquisition                                                    | -                   | -                  | \$0.0000    | (1,075)        |
| Ordinary shares issued to Wallace King as a share based payment at an issue price of \$0.4142 per share | 26 November 2019    | 362,138            | \$0.4142    | 150            |
| Ordinary shares issued for the acquisition of Universal Coal plc                                        | 31 March 2020       | 193,565,407        | \$0.1889    | 36,565         |
| Ordinary shares issued for the acquisition of Universal Coal plc                                        | 31 June 2020        | 58,324,246         | \$0.1457    | 8,496          |
| Share issuance expense on Universal Coal Acquisition                                                    | -                   | -                  | \$0.0000    | (158)          |
| <b>Balance</b>                                                                                          | <b>30 June 2020</b> | <b>753,607,630</b> |             | <b>335,492</b> |
| Ordinary shares issued to Wallace King as a share based payment at an issue price of \$0.150 per share  | 29 December 2020    | 1,000,000          | \$0.1500    | 150            |
| <b>Balance</b>                                                                                          | <b>30 June 2021</b> | <b>754,607,630</b> |             | <b>335,642</b> |

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Share buy-back

There is no current on-market share buy-back.

### Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or Company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2020 Annual Report.



## 24. Dividends

There were no dividends paid to shareholders during the year ended 30 June 2021 (2020: \$4,671,000). The directors resolved not to pay a final dividend with respect to the year ended 30 June 2021.

## 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

| Name                                                 | Principal place of business<br>/ Country of incorporation | Ownership Interest |           |
|------------------------------------------------------|-----------------------------------------------------------|--------------------|-----------|
|                                                      |                                                           | 2021<br>%          | 2020<br>% |
| FTB (QLD) Pty Ltd                                    | Australia                                                 | 100.00 %           | 100.00 %  |
| Sierra Coal Pty Ltd                                  | Australia                                                 | 100.00 %           | 100.00 %  |
| Orion Mining Pty Ltd                                 | Australia                                                 | 100.00 %           | 100.00 %  |
| Clermont Logistics Pty Ltd                           | Australia                                                 | 100.00 %           | 100.00 %  |
| Terra Energy Pty Ltd                                 | Australia                                                 | 100.00 %           | 100.00 %  |
| Clyde Park Coal Pty Ltd *                            | Australia                                                 | 64.40 %            | 64.40 %   |
| Guildford Coal (Mongolia) Pty Ltd *                  | Australia                                                 | 83.87 %            | 83.87 %   |
| Guildford Infrastructure (Mongolia) Pty Ltd          | Australia                                                 | 100.00 %           | 100.00 %  |
| Terra Mining Services Pty Ltd                        | Australia                                                 | 100.00 %           | 100.00 %  |
| Springsure Mining Pty Ltd *                          | Australia                                                 | 90.07 %            | 90.07 %   |
| Springsure Centre of Excellence Pty Ltd *            | Australia                                                 | 90.07 %            | 90.07 %   |
| TCIG Resources Pte Limited                           | Singapore                                                 | 100.00 %           | 100.00 %  |
| Universal Coal Plc                                   | United Kingdom                                            | 100.00 %           | 100.00 %  |
| Universal Coal Energy Holding South Africa (Pty) Ltd | South Africa                                              | 100.00 %           | 100.00 %  |
| Universal Coal Development I (Pty) Ltd               | South Africa                                              | 70.50 %            | 70.50 %   |
| Universal Coal Development II (Pty) Ltd              | South Africa                                              | 50.00 %            | 50.00 %   |
| Universal Coal Development III (Pty) Ltd             | South Africa                                              | 48.90 %            | 48.90 %   |
| Universal Coal Development IV (Pty) Ltd              | South Africa                                              | 49.00 %            | 49.00 %   |
| Universal Coal Development V (Pty) Ltd               | South Africa                                              | 50.00 %            | 50.00 %   |
| Universal Coal Development VI (Pty) Ltd              | South Africa                                              | 15.00 %            | 15.00 %   |
| Universal Coal Development VII (Pty) Ltd             | South Africa                                              | 50.00 %            | 50.00 %   |
| Universal Coal Development VIII (Pty) Ltd            | South Africa                                              | 49.00 %            | 49.00 %   |
| Twin Cities Trading 374 (Pty) Ltd                    | South Africa                                              | 74.00 %            | 74.00 %   |
| Episolve (Pty) Ltd                                   | South Africa                                              | 74.00 %            | 74.00 %   |
| Epsimax (Pty) Ltd                                    | South Africa                                              | 74.00 %            | 74.00 %   |
| Bold Moves 1756 (Pty) Ltd                            | South Africa                                              | 74.00 %            | 74.00 %   |
| Universal Coal Logistics (Pty) Ltd                   | South Africa                                              | 49.00 %            | 49.00 %   |
| Universal Coal Power Generation (Pty) Ltd            | South Africa                                              | 100.00 %           | 100.00 %  |
| North Block Complex (Pty) Ltd                        | South Africa                                              | 49.00 %            | 49.00 %   |
| Eloff Agriculture and Mining Company (Pty) Ltd       | South Africa                                              | 49.00 %            | 49.00 %   |
| Manyeka Coal Mine (Pty) Ltd                          | South Africa                                              | 49.00 %            | 49.00 %   |

\* Percentage of voting power is in proportion to ownership.

### Control considerations where 50% or less of share capital held

The Group's wholly owned subsidiary Universal Coal Energy Holdings South Africa (Pty) Ltd (UCEHSA) holds the interest in the subsidiaries noted below.

#### *Universal Coal Development II (Pty) Limited (UCDII)*

Although the Group owns 50% of UCDII, the Company has determined that the Group controls the entity because within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCDII. UCEHSA has the practical ability to exercise the option as no restriction exists on the exercise of the option. This potential voting right has therefore, been considered to be substantive and has been included in the Company's assessment as to whether UCEHSA has control.



## 25. Interests in subsidiaries (continued)

### *Universal Coal Development III (Pty) limited (UCDIII)*

Although the Group owns less than 50% of UCDIII, the Company has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an operating and management agreement and has the current ability to direct the entities activities. The relevant current activities are the development of the Ubuntu Colliery and infrastructure and planned future activities will be mining, processing and selling of coal. As UCEHSA has operational control over UCDIII and is exposed to and has rights to variable returns from its involvement with UCDIII and has the ability to affect those returns through its operational power over UCDIII, the Company is accounted for as a subsidiary.

### *Universal Coal Development IV (Pty) Limited (UCDIV)*

Although the Group owns less than 50% of UCDIV, the Company has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an operating and management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal. As UCEHSA has operational control over UCDIV, is exposed to and has rights to variable returns from its involvement with UCDIV and has the ability to affect those returns through its operational power over UCDIV, the Company is accounted for as a subsidiary.

### *Eloff Agriculture and Mining Company (Pty) Limited (Eloff) and Manyeka Coal Mines (Pty) Limited (Manyeka)*

The Group holds an effective shareholding of 49% in the Eloff Project and Manyeka through its investment in UCDIV. As established above, UCEHSA has operational control over UCDIV and the Company is therefore accounted for as a subsidiary.

### *North Block Complex (Pty) limited (NBC)*

Although the Group owns less than 50% of NBC, the Company has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an operating and management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal. As UCEHSA has operational control over NBC, is exposed to and has rights to variable returns from its involvement with NBC and has the ability to affect those returns through its operational power over NBC, the Company is accounted for as a subsidiary.

### *Universal Coal Development V (Pty) Limited (UCDV)*

Although the Group owns 50% of UCDV, the Company has determined that the Group controls the entity because UCEHSA has an option to exercise a further 24% share purchase and has the practical ability to exercise the option as no restriction exists on the exercise of the option. Therefore, the right to exercise this option is considered substantive and has been included in management's assessment as to whether UCEHSA has control.

### *Universal Coal Development VII (Pty) Limited (UCDVII)*

Although the Group owns 50% of UCDVII, the Company has determined that the Group controls the entity because the chairman of the Board of UCDVII, who has the casting vote at Directors meetings, is a Director of and appointed by UCEHSA. The Board is responsible for the management of UCDVII.

### *Universal Coal Development VIII (Pty) Limited (UCDVIII)*

Although the Group owns less than 50% of UCDVIII, the Company has determined that the Group controls the entity because UCEHSA manages and directly controls the entity by virtue of an operating and management agreement, receiving substantially all of the returns related to their operations and net assets and has the current ability to direct the entities activities that most significantly affect these returns. The relevant activities are the mining, processing and selling of coal.



25. Interests in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non- controlling interests in accordance with the accounting policy described in Note 1:

| Name                                           | Principal place of business / Country of incorporation | Principal activities | Parent Ownership interest |         | Non-controlling interest Ownership interest |         |
|------------------------------------------------|--------------------------------------------------------|----------------------|---------------------------|---------|---------------------------------------------|---------|
|                                                |                                                        |                      | 2021 %                    | 2020 %  | 2021 %                                      | 2020 %  |
| Clyde Park Coal Pty Limited                    | Australia                                              | Exploration          | 64.40 %                   | 64.40 % | 35.60 %                                     | 35.60 % |
| Guildford Coal (Mongolia) Pty Limited          | Australia                                              | Holding Company      | 83.87 %                   | 83.87 % | 16.13 %                                     | 16.13 % |
| Springsure Mining Pty Ltd                      | Australia                                              | Exploration          | 90.07 %                   | 90.07 % | 9.93 %                                      | 9.93 %  |
| Springsure Centre of Excellence                | Australia                                              | Holding Company      | 90.07 %                   | 90.07 % | 9.93 %                                      | 9.93 %  |
| Universal Coal Development I (Pty) Ltd         | South Africa                                           | Production           | 70.50 %                   | 70.50 % | 29.50 %                                     | 29.50 % |
| Development II (Pty) Ltd                       | South Africa                                           | Exploration          | 50.00 %                   | 50.00 % | 50.00 %                                     | 50.00 % |
| Development III (Pty) Ltd                      | South Africa                                           | Production           | 48.90 %                   | 48.90 % | 51.10 %                                     | 51.10 % |
| Universal Coal Development IV (Pty) Ltd        | South Africa                                           | Production           | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |
| Universal Coal Development V (Pty) Ltd         | South Africa                                           | Exploration          | 50.00 %                   | 50.00 % | 50.00 %                                     | 50.00 % |
| Universal Coal Development VII (Pty) Ltd       | South Africa                                           | Exploration          | 50.00 %                   | 50.00 % | 50.00 %                                     | 50.00 % |
| Universal Coal Development VIII (Pty) Ltd      | South Africa                                           | Holding Company      | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |
| Twin Cities Trading 374 (Pty) Ltd              | South Africa                                           | Holding Company      | 74.00 %                   | 74.00 % | 26.00 %                                     | 26.00 % |
| Episolve (Pty) Ltd                             | South Africa                                           | Holding Company      | 74.00 %                   | 74.00 % | 26.00 %                                     | 26.00 % |
| Epsimax (Pty) Ltd                              | South Africa                                           | Holding Company      | 74.00 %                   | 74.00 % | 26.00 %                                     | 26.00 % |
| Bold Moves 1756 (Pty Ltd)                      | South Africa                                           | Holding Company      | 74.00 %                   | 74.00 % | 26.00 %                                     | 26.00 % |
| Universal Coal Logistics (Pty) Ltd             | South Africa                                           | Holding Company      | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |
| North Block Complex (Pty) Ltd                  | South Africa                                           | Production           | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |
| Eloff Agriculture and Mining Company (Pty) Ltd | South Africa                                           | Exploration          | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |
| Manyeka Coal Mine (Pty) Ltd                    | South Africa                                           | Exploration          | 49.00 %                   | 49.00 % | 51.00 %                                     | 51.00 % |