



ASX ANNOUNCEMENT

28 February 2023

APPENDIX 4D AND DECEMBER 2022 HALF YEAR FINANCIAL STATEMENTS

Name of entity: TerraCom Limited
ABN: 35 143 533 537
Reporting Period: For the half year ended 31 December 2022
Previous Period: For the half year ended 31 December 2021

Results for announcement to the market

			A\$'000
Revenue from ordinary activities	up	11%	430,324
Profit from ordinary activities for the year after income tax	up	>100%	180,438
Profit for the year after income tax attributable to the owners of TerraCom Limited	up	>100%	180,845

The Interim Consolidated Financial Report for the 6 months ended 31 December 2022 should be read in conjunction with the 2022 Annual Financial Report.

Dividends

TerraCom declared two dividends to shareholders during the six months ended 31 December 2022, details as follows:

Period	Ordinary Dividend	Special Dividend	Franking Status	Date of Payment
30 June 2022	7.5 cents	2.5 cents	Unfranked	19 September 2022
1 July 2022 to 30 September 2022	7.5 cents	2.5 cents	Fully Franked	9 December 2022

The Directors have determined to pay a fully franked interim dividend for the half year ended 31 December 2022 of 7.5 cents per share.

Net Tangible Assets

	Reporting Period (cents)	Previous Period (cents)
Net tangible assets per ordinary security	20.07	(1.97)

Control over entities

No change since 30 June 2022.

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Audit qualification or review

The Interim Consolidated Financial Statements for the 6 months ended 31 December 2022 were subject to review by auditors and the review report is attached to the financial statements.

Attachments and additional information

Additional information is provided in the Interim Consolidated Financial Statements for the half year ended 31 December 2022.

This announcement has been approved by the Board for release.

For further enquiries please contact:

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CFO and Company Secretary
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About TerraCom Limited

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

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TerraCom Limited

(ABN 35 143 533 537)

**Interim consolidated financial statements for the
6 months ended 31 December 2022**

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General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 February 2023. The Directors have the power to amend and reissue the financial statements.

Corporate Directory

Interim consolidated financial statements for the 6 months ended 31 December 2022



Directors at the date of this report

Mr Graeme Campbell (Chairman)
Mr Danny McCarthy
Mr Glen Lewis
Mr Craig Lyons
Mr Mark Lochtenberg
Mr Mark Ludski (appointed 7 December 2022)

Company secretary

Ms Megan Etcell

Executive management team

Mr Danny McCarthy, Managing Director
Ms Megan Etcell, Chief Financial Officer
Mr Nathan Boom, Chief Commercial Officer

Registered office and & Principal place of business

Blair Athol Mine Access Road
Clermont, Queensland, 4721
Australia

Contact address

PO Box 131
Clermont, Queensland, 4721
Australia

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney, New South Wales, 2000
Australia
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

Solicitors

Ashurst Australia
Level 11, 5 Martin Place
Sydney, New South Wales, 2000
Australia

Auditors

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

Bankers

Westpac Banking Corporation
Suite 2, Level 2 22 Walker Street
Townsville, Queensland, 4810
Australia

Stock exchange listing

TerraCom Limited shares are listed on the Australian Securities Exchange (ASX code: TER)

Website

www.terracomresources.com

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Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



This half-year report for the 6 months ended 31 December 2022 is for TerraCom Limited (**TerraCom** or **the Company**) and its controlled entities (collectively known as **the Group**).

1. Principal activities

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

2. Directors

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

Mr Graeme Campbell (Chairman)
Mr Danny McCarthy (Managing Director)
Mr Glen Lewis
Mr Mark Lochtenberg
Mr Mark Ludski (appointed 7 December 2022)
Mr Matthew Hunter (resigned 3 October 2022)
Mr Shane Kyriakou (resigned 28 November 2022)

3. Safety

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

2.0 TRIFR
as at 31 December 2022

0.8 LTIFR
as at 31 December 2022

4. Dividends

Paid during the Period

TerraCom declared two dividends to shareholders during the six months ended 31 December 2022, details as follows:

Period	Ordinary Dividend	Special Dividend	Franking Status	Date of Payment
30 June 2022	7.5 cents	2.5 cents	Unfranked	19 September 2022
1 July 2022 to 30 September 2022	7.5 cents	2.5 cents	Fully Franked	9 December 2022

Declared after the period

On 27 February 2023 the Directors declared a fully franked interim dividend of 7.5 cents per share totaling \$60.0 million to be paid 23 March 2023.

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

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

6. Rounding of amounts

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

Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



7. Operating and Financial Review

The profit after income tax for the half-year for the Group amounted to \$180.4 million (31 December 2021: \$57.4 million), of this \$180.8 million was directly attributable to TerraCom (31 December 2021: attributable to TerraCom of \$52.7 million).

The consolidated comprehensive profit for the half-year of the Group amounted to \$177.7 million (31 December 2021: consolidated profit of \$45.3 million) of this \$178.1 million was directly attributable to TerraCom (31 December 2021: profit attributable to TerraCom of \$43.5 million).

Highlights

Production results achieved for the 6 months ended 31 December 2022:

- Run of mine production 6.2 million tonnes (31 December 2021: 6.3 million tonnes).
- Coal sales 4.4 million tonnes (31 December 2021: 4.5 million tonnes).

Financial results for the TerraCom Group achieved for the 6 months ended 31 December 2022:

- The Group delivered an exceptional result off the back of strong market conditions.
- Revenue from operations of \$430.3 million (31 December 2021: \$387.4 million), representing an 11% increase on the prior corresponding period.
- Earnings before interest, tax, depreciation, and amortisation (**EBITDA**) of \$255.9 million (31 December 2021: \$126.2 million from continuing operations).

Current Operations and Project Structure

TerraCom Limited (ASX : TER)			
 AUSTRALIA		 SOUTH AFRICA	
OPERATIONS	PROJECTS	OPERATIONS	PROJECTS
Blair Athol	Northern Galilee	Kangala & Eloff Colliery	Berenice Project
	Springsure	New Clydesdale Colliery	Cygnus Project
		North Block Complex	
		Ubuntu Colliery	

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Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



Financial Performance

Profit and Loss	31 December 2022	31 December 2021	Variance (%)
Revenue	\$430.3 m	\$387.4 m	11%
EBITDA ¹	\$255.9 m	\$126.2 m	>100%
Profit after tax	\$180.4 m	\$57.4 m	>100%
Profit after tax (attributable to TerraCom)	\$180.8 m	\$52.7 m	>100%
Diluted earnings (loss) per share	22.65 cents	6.63 cents	>100%
Net cash from operating activities	\$201.1 m	\$61.1 m	>100%
Balance Sheet	31 December 2022	30 June 2022	Variance (%)
Cash and cash equivalents	\$98.9 m	\$69.6 m	42%
Restricted cash	\$50.9 m	\$45.0 m	13%
Trade Payables	\$83.9 m	\$108.5 m	23%

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

	31 December 2022 \$ '000	31 December 2021 \$ '000
Profit after income tax expense	180,438	57,385
Depreciation and amortisation expense	7,362	17,319
Finance income	(1,552)	(476)
Finance expenses	600	28,232
Income tax expense	69,083	23,743
EBITDA	255,931	126,203

The Group generated earnings before interest, tax, depreciation, and amortisation (**EBITDA**) of \$255.9 million for the financial half-year ended 31 December 2022. EBITDA was up \$129.7 million, representing a >100% improvement on the prior corresponding period.

Coal prices remained buoyant throughout the period and both the Australian and South African operations continued to deliver consistent results.

Earnings after tax attributable to TerraCom was \$180.8 million, up \$128.1 million (>100%) on the prior corresponding period.

Cash and cash equivalents was \$98.9 million (30 June 2022: \$69.6 million), and restricted cash of \$50.9 million (30 June 2022: \$45.0 million).

Operational Overview

Operations	Commodity	Production Mtpa ROM	Life of Mine
Australia			
Blair Athol	Thermal Coal	2.9	8+ years at current run rate. Potential near mine expansion opportunities with BA as a processing precinct.
South Africa[#]			
NCC	Thermal Coal	4.4	11 years *
NBC	Thermal Coal	5.1	8 years *
Ubuntu	Thermal Coal	1.2	5 years *
Kangala & Eloff	Thermal Coal	3.2	10-year Eloff extension fully permitted subject to finalisation of domestic sales contract

(#) subject to coal sales contracts

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

Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



Operational Summary

Review of continuing operations - Consolidated (Total tonnes¹)

	HY2023	HY2022	Movement
	(kt)	(kt)	%
ROM coal production	6,125	6,255	(2%)
Saleable coal	4,389	4,464	(2%)
Coal sales	4,396	4,436	(1%)
Inventory (ROM)	376	356	6%
Inventory (Saleable)	215	371	(42%)

Review of continuing operations – Consolidated (Equity tonnes²)

	HY2023	HY2022	Movement
	(kt)	(kt)	%
ROM coal production	3,645	3,715	(2%)
Saleable coal	2,647	2,724	(3%)
Coal sales	2,640	2,718	(3%)
Inventory (ROM)	207	181	14%
Inventory (Saleable)	129	229	(44%)

Review of operations – Mine by Mine

Australia – 100% Equity Interest

Blair Athol Mine

	HY2023	HY2022	Movement
	(kt)	(kt)	%
ROM coal production	1,263	1,274	(1%)
Saleable coal	973	1,052	(7%)
Coal sales	952	1,067	(11%)
Inventory (ROM)	45	12	>100%
Inventory (Saleable)	46	92	(50%)

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

The run of mine production at BA in Queensland is approximately 2.9 million tonnes per annum and the life of mine is approximately 9 years at the current operational run rate. Thermal coal from BA is exported through Dalrymple Bay Coal Terminal and coal is sold to Japan, South Korea, and Indian sponge iron markets.

For the 6 months ended December 2022 BA achieved coal sales of 952kt. The mine continues to deliver strong EBITDA results from the buoyant export coal market and management remains steadfast on their focus on operational cost containment to an acceptable level at the mine site. Whilst production has recently been disrupted by consistent unseasonal heavy rainfall, BA remains on track to achieve forecast coal sales of 2.2 million tonnes for the 12 months ending 30 June 2023.

¹ The data represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49.0%.

² The data represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.

Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



Operational Summary (continued)

South Africa

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

New Clydesdale Colliery (NCC) - 49% Equity Interest

	HY2023 (kt)	HY2022 (kt)	Movement %
ROM coal production	1,923	2,156	(11%)
Saleable coal	1,247	1,376	(9%)
Coal sales	1,337	1,276	5%
Inventory (ROM)	150	102	47%
Inventory (Saleable)	59	71	(17%)

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

NCC has a 1.6Mt per annum offtake agreement with Eskom³, South Africa's largest power generator, until 2024 and an export offtake for 650Kt per annum with a global trader.

The colliery performed well during the 6 months to December 2022, achieving 1.3Mt total coal sales, an increase of 5% on the prior corresponding reporting period. Despite ongoing logistics constraints, the colliery managed export sales of 370kt for the reporting period and the colliery remains focused on increasing its export sales to capitalise on the continued attractive export coal pricing.

North Block Complex (NBC) - 49% Equity Interest

	HY2023 (kt)	HY2022 (kt)	Movement %
ROM coal production	2,260	2,125	6%
Saleable coal	1,624	1,571	3%
Coal sales	1,675	1,563	7%
Inventory (ROM)	151	48	>100%
Inventory (Saleable)	71	187	(62%)

North Block Complex (**NBC**) produces both a domestic and export thermal coal product with the colliery achieving annualised ROM production of approximately 4.3 million tonnes per annum. NBC has a 2.4 million tonnes per annum offtake agreement with Eskom until 2030.

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

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

³ Eskom contracts are subject to total energy delivered over the contract term. This could result in the Eskom contract expiring before the end of the term disclosed.

Directors' Report

Interim consolidated financial statements for the 6 months ended 31 December 2022



Operational Summary (continued)

Ubuntu - 49% Equity Interest

	HY2023 (kt)	HY2022 (kt)	Movement %
ROM coal production	678	700	(3%)
Saleable coal	545	465	17%
Coal sales	432	529	(18%)
Inventory (ROM)	30	194	(85%)
Inventory (Saleable)	39	21	86%

As previously communicated to shareholders, the Coal Supply Agreement (**CSA**) between Ubuntu and Eskom concluded on 31 December 2022. The CSA has not been renewed and the colliery is currently winding down operations with it expected to go on care and maintenance during the March 2023 Quarter. Notwithstanding this, the colliery continues to explore other coal sales opportunities.

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

Kangala - 70.5% Equity Interest

The Kangala colliery officially reached the end of its resource life with last ROM coal mined in January 2021. Whilst Kangala has a committed 2 million tonnes per annum CSA with Eskom, until 2023, the CSA reached its total energy content deliverable under the CSA in February 2021. This was due to accelerated delivery of the energy content delivered to Eskom throughout the earlier years of the CSA.

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 has received full regulatory approval 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 Kangala colliery has been placed into care and maintenance, effective 1 July 2021, to minimise costs.

8. Auditor's independence declaration

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

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

Signed on behalf of the Directors

Handwritten signature of Graeme Campbell in black ink.

Graeme Campbell
Non-Executive Chairman

Handwritten signature of Danny McCarthy in black ink.

Danny McCarthy
Managing Director

Sydney
27 February 2023

Auditor's independence declaration

Interim consolidated financial statements for the 6 months ended 31 December 2022



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

As lead auditor for the review of TerraCom Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read "R M Swaby".

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2023

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Interim consolidated statement of profit or loss and other comprehensive income for the 6 months ended 31 December 2022



	Note	31 December 2022 \$ '000	31 December 2021 \$ '000
Revenue	2	430,324	387,442
Cost of goods sold	2	(174,139)	(235,625)
Gross profit		256,185	151,817
Other operating and administration expenses		(31,573)	(24,817)
Net foreign exchange gain/(losses)		75	(5,554)
Share of profit of associates accounted for using the equity method	7	31,244	2,613
Operating profit		255,931	124,059
Depreciation and amortisation expense	5	(7,362)	(17,319)
Finance income		1,552	476
Finance expenses	3	(600)	(28,232)
Gain on deconsolidation of North Block Complex (Pty) Ltd		-	2,144
Net profit before taxation		249,521	81,128
Income tax expense		(69,083)	(23,743)
Net profit after taxation		180,438	57,385
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(2,777)	(12,117)
Other comprehensive income net of taxation		177,661	45,268
Profit attributable to:			
Owners of the parent		180,845	52,741
Non-controlling interest		(407)	4,644
		180,438	57,385
Total comprehensive income attributable to:			
Owners of the parent		178,105	43,473
Non-controlling interest		(444)	1,795
		177,661	45,268
Earnings per share for profit attributable to the owners of TerraCom Limited			
Basic earnings per share (cents)		22.65	6.99
Diluted earnings per share (cents)		22.65	6.63

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

Interim consolidated statement of financial position as at 31 December 2022



		31 December 2022 \$ '000	30 June 2022 \$ '000
	Note		
Assets			
Current Assets			
Cash and cash equivalents		98,991	69,572
Trade and other receivables		28,837	61,426
Inventories		9,253	6,005
Ndalamo loan receivable		4,246	4,169
		141,327	141,172
Non-Current Assets			
Trade and other receivables		2,547	17,520
Restricted cash	4	50,997	45,031
Investments accounted for using the equity method	7	92,030	92,781
Other financial assets		1,855	1,512
Property, plant and equipment	5	92,547	93,376
Exploration and evaluation assets	6	14,449	14,149
Other non-current assets		16,667	16,667
		271,092	281,036
Total Assets		412,419	422,208
Liabilities			
Current Liabilities			
Trade and other payables		83,948	108,457
Current tax liability		68,393	44,730
Borrowings	8	8,545	12,073
Lease liabilities		60	363
Provisions	9	3,608	3,192
		164,554	168,815
Non-Current Liabilities			
Borrowings	8	-	24,847
Lease liabilities		-	51
Deferred tax liability		11,798	11,839
Provisions	9	70,559	71,031
		82,357	107,768
Total Liabilities		246,911	276,583
Net Assets		165,508	145,625

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Interim consolidated statement of financial position as at 31 December 2022



	Note	31 December 2022 \$ '000	30 June 2022 \$ '000
Equity			
Share capital		373,787	373,203
Reserves		20,799	21,995
Accumulated losses		(228,753)	(249,692)
Non-controlling interest		(325)	119
Total equity		165,508	145,625

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

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Interim consolidated statement of changes in equity for the 6 months ended 31 December 2022

	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Share based payments / options reserve \$ '000	Accumulated profit/ (losses) \$ '000	Total Equity Attributable to the owners of TerraCom Limited \$ '000	Non- controlling interest \$ '000	Total equity \$ '000
Balance at 01 July 2021	335,657	29,760	-	(445,823)	(80,406)	52,901	(27,505)
Profit for the 6 months	-	-	-	52,741	52,741	4,644	57,385
Other comprehensive income	-	(9,268)	-	-	(9,268)	(2,849)	(12,117)
Total comprehensive loss for the 6 months	-	(9,268)	-	52,741	43,473	1,795	45,268
Deconsolidation of subsidiaries	-	-	-	-	-	(28,887)	(28,887)
Dividends paid by subsidiary to Non-controlling interest	-	-	-	-	-	(3,742)	(3,742)
Balance at 31 December 2021	335,657	20,492	-	(393,082)	(36,933)	22,067	(14,866)
Balance at 01 July 2022	373,203	21,995	-	(249,692)	145,506	119	145,625
Profit for the 6 months	-	-	-	180,845	180,845	(407)	180,438
Other comprehensive income	-	(2,740)	-	-	(2,740)	(37)	(2,777)
Total comprehensive income for the 6 months	-	(2,740)	-	180,845	178,105	(444)	177,661
Dividends paid	-	-	-	(159,906)	(159,906)	-	(159,906)
Share based payments – KMP	-	-	1,544	-	1,544	-	1,544
Share issue – conversion of options	584	-	-	-	584	-	584
Balance at 31 December 2022	373,787	19,255	1,544	(228,753)	165,833	(325)	165,508

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

Interim consolidated statement of cashflows for the 6 months ended 31 December 2022

	31 December 2022	31 December 2021
Note	\$ '000	\$ '000
Cash flows from operating activities		
Cash receipts from customers	408,546	408,076
Cash paid to suppliers and employees	(191,767)	(311,203)
Dividends received from associates	28,880	-
Interest received	2,029	40
Tax payments made	(44,849)	(4,179)
Interest and other finance costs paid	(1,709)	(31,587)
Net cash from operating activities	201,130	61,147
Cash flows from investing activities		
Payments for property plant and equipment	(6,633)	(6,306)
Sale of property, plant and equipment	50	-
Payments for exploration and evaluation	-	(76)
Release from restricted cash / other	-	103
Contribution to rehab insurance collateral	(5,967)	(718)
Payments for security deposits	-	(4,693)
Loan repayment from associates	26,273	-
Deconsolidation – cash and cash equivalents	-	(12,393)
Loan to Universal Coal Development VII (Pty) Ltd	(58)	-
Net cash (used in) / from investing activities	13,665	(24,083)
Cash flows from Financing activities		
Dividends paid	(159,906)	-
Proceeds from issue of shares	583	-
Proceeds from borrowings	-	2,595
Repayment of borrowings	(26,273)	(32,548)
Transfer to restricted cash	-	(94)
Repayment of royalty land agreement	-	(423)
Repayment of principal component of lease liabilities	(349)	(1,079)
Dividend paid by subsidiary to non-controlling interest	-	(3,742)
Net cash (used in) / from financing activities	(185,945)	(35,291)
Total cash movement for the half year	28,850	1,773
Cash at the beginning of the half year	69,572	11,186
Effect of exchange rate movement on cash equivalents	569	(563)
Total cash at end of half year	98,991	12,396

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

Notes to the interim consolidated financial statements



1. Significant accounting policies

The financial statements of TerraCom Limited (the **Company**) and its controlled entities (collectively known as the **Group**) for the 6 months ended 31 December 2022 were authorised for issue on 27 February 2023 in accordance with a resolution of the Directors.

The Company is:

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

Basis of preparation

The financial statements for the half-year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001 (Cth)*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the policies stated below.

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

Functional Currency

Effective 1 July 2022 the Company changed the functional currency of TerraCom Limited (Head entity) and its Australian based entities from USD to AUD.

This change was done with reference to AASB 121 The Effects of Changes in Foreign Exchange Rates. The repayment of the Euroclear Bond at the end of June 2022 (which was denominated in USD) triggered an assessment by management to critically review whether a USD functional currency continued to represent the underlying transactions, events, and conditions of the business. As a result of this review, management determined it was appropriate to change the functional currency from USD to AUD, effective 1 July 2022.

Going Concern

The half-year financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2022, the Group had a net current asset deficiency of \$23.2 million (30 June 2022: \$27.6 million).

During the period, the Group generated a profit after tax of \$180.4 million and cash inflows from operating activities of \$201.1 million, driven by strong global demand for commodities. The Group is now largely debt free, with the exception of a \$8.5 million loan held by TerraCom's wholly owned South African Subsidiary, Universal Coal Energy Holdings South Africa (**UCEHSA**), which has on-lent the funds to the now deconsolidated South African operations.

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

1. The strong ongoing profitability and cash flows being generated by the Group;
2. The significantly reduced debt burden on the Group, subsequent to the repayment of the Euroclear bond; and
3. The continued prevailing global thermal coal market.

Critical accounting estimates and judgments

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

Notes to the interim consolidated financial statements

1. Significant accounting policies (continued)

In preparing the half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 annual report.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the interim consolidated financial statements of the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Operating segments

Identification of reportable operating segments

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

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

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

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

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

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

Types of products and services

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

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

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

Accounting policies adopted

All amounts reported to the Board of Directors, being the 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, with the exception of the functional currency, as noted above.

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

Notes to the interim consolidated financial statements

2. Operating segments (continued)

Major customers

During the period ended 31 December 2022 the Group's external revenue was derived from sales to the following customers:

	Half-Year 31 December 2022		Half-Year 31 December 2021	
	\$ '000	%	\$ '000	%
Eskom #	-	0 %	104,363	27 %
ITOCHU	105,897	25 %	40,961	11 %
Glencore #	-	0 %	47,363	12 %
Vitol	131,153	30 %	54,624	14 %
Other Customers	193,274	45 %	140,131	36 %
Total	430,324	100 %	387,442	100 %

Sales are nil for the 6-month period to 31 December 2022 due to the deconsolidation of a number of South African operations.

	Australia \$ '000	South Africa \$ '000	Unallocated / Corporate \$ '000	Total \$ '000
Consolidated – Half-year 31 December 2022				
Revenue				
Sales to external customers	428,158	2,166	-	430,324
Cost of goods sold	(172,513)	(1,626)	-	(174,139)
Gross Profit	255,645	540	-	256,185
Other operating and administration expenses	(22,198)	(1,413)	(7,962)	(31,573)
Net foreign exchange gain (loss)	-	-	75	75
Share of profit of associates accounted for using the equity method	-	31,244	-	31,244
Operating Profit	233,447	30,371	(7,887)	255,931
Depreciation and amortisation expense	(7,177)	(173)	(12)	(7,362)
Net finance expenses	65	731	156	952
Profit / (loss) before taxation	226,335	30,929	(7,743)	249,521
Profit before taxation				249,521
Income tax expense				(69,083)
Profit after income taxation				180,438

Consolidated - 31 December 2022

Assets

Segment assets	287,013	125,406	-	412,419
Total assets	287,013	125,406	-	412,419
Liabilities				
Segment liabilities	225,386	21,525	-	246,911
Total liabilities	225,386	21,525	-	246,911

Notes to the interim consolidated financial statements

2. Operating segments (continued)

	Australia \$'000	South Africa \$'000	Unallocated / Corporate \$'000	Total \$'000
Consolidated – Half-year 31 December 2021				
Revenue				
Sales to external customers	183,163	204,279	-	387,442
Cost of goods sold	(71,128)	(164,497)	-	(235,625)
Gross Profit	112,035	39,782	-	151,817
Other operating and administration expenses	(16,341)	(3,125)	(5,351)	(24,817)
Net foreign exchange gain (loss)	(5,636)	-	82	(5,554)
Share of profit of associates accounted for using the equity method	-	2,613	-	2,613
Operating Profit	90,058	39,270	(5,269)	124,059
Depreciation and amortisation expense	(6,787)	(10,521)	(11)	(17,319)
Net finance expenses	(518)	(5,535)	(21,703)	(27,756)
Gain on deconsolidation of North Block Complex (Pty) Ltd	-	2,144	-	2,144
Profit / (loss) before taxation	82,753	25,358	(26,983)	81,128
Loss before income tax				81,128
Income tax expense				(23,743)
Profit after income taxation				57,385
Consolidated – 30 June 2022				
Assets				
Segment assets	307,963	114,245	-	422,208
Total assets	307,963	114,245	-	422,208
Liabilities				
Segment liabilities	228,114	48,469	-	276,583
Total liabilities	228,114	48,469	-	276,583

3. Finance expenses

	31 December 2022 \$ '000	31 December 2021 \$ '000
Interest expense on interest bearing loans	22	22,880
Other interest and finance expenses	578	5,352
Total finance expenses	600	28,232

4. Restricted cash

	31 December 2022 \$ '000	30 June 2022 \$ '000
Bank deposit	30	31
Secured deposit	50,967	45,000
Total restricted cash	50,997	45,031

Notes to the interim consolidated financial statements



4. Restricted cash (continued)

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

The secured deposit relates to the cash pledged as security for the issuance of insurance bond to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Blair Athol Coal Mine's Environmental Authority EPML00876713. 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 held by Westpac has increased during the period from \$45.0 million to \$51.0 million, which at reporting date was bearing an interest rate of 0.25% per annum, with interest receivable 6 monthly in arrears.

5. Property, plant and equipment

	31 December 2022	30 June 2022
	\$ '000	\$ '000
Property, plant and equipment	92,547	93,376

Reconciliation of property, plant and equipment – 31 December 2022

	Opening balance	Additions	Disposals	Transfers	Exchange differences	Depre- ciation	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Land and buildings	6,331	-	-	-	-	-	6,331
Plant and equipment	22,387	149	(76)	3,230	(8)	(2,706)	22,976
Mine development	63,148	-	-	-	(2)	(4,294)	58,852
Right-of-use assets - land and buildings	235	-	-	-	(8)	(132)	95
Right-of-use assets - plant and equipment	230	-	-	-	-	(230)	-
Capital - work in progress	1,045	6,484	-	(3,230)	(6)	-	4,293
	93,376	6,633	(76)	-	(24)	(7,362)	92,547

6. Exploration and evaluation assets

	31 December 2022	30 June 2022
	\$ '000	\$ '000
Exploration and evaluation	14,449	14,149

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

	Opening balance	Additions	Exchange differences	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Exploration and evaluation	14,149	323	(23)	14,449

The interest in mining tenements has not changed significantly from 30 June 2022 as listed in note 16 of the 2022 Annual Financial Report.

Notes to the interim consolidated financial statements



7. Investment in associates

	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	Total
	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Investment in associates	26,926	4,903	986	59,215	-	92,030
Share of profit/(loss) of associates	14,368	(9)	-	16,885	-	31,244

8. Borrowings

	31 December 2022	30 June 2022
	\$ '000	\$ '000
Current borrowing		
Overdraft	289	(230)
Standard Bank of South Africa facilities	8,256	12,303
	8,545	12,073
Non-current borrowings		
Standard Bank of South Africa facilities	-	24,847
	-	24,847

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 ZAR 600.0 million.

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 commenced on 30 September 2021 and are to occur on a quarterly basis over 16 equal 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.

Given the deconsolidation of a number of the South African entities, a corresponding receivable has been recorded for the Group which reflects the portion of the SBSA loan where each South African entity is the ultimate borrower of funds, via UCEHSA.

9. Provisions

	31 December 2022	30 June 2022
	\$ '000	\$ '000
Mine rehabilitation and closure	68,217	68,689
Long service leave	2,342	2,342
Annual leave	3,608	3,192
	74,167	74,223

Notes to the interim consolidated financial statements



11. Related parties

Relationships

Parent entity	TerraCom Limited
Associates	Interest in associates include Universal Coal Development VI (Pty) Ltd, North Block Complex (Pty) Ltd, Universal Coal Development III (Pty) Ltd (Ubuntu) (48.9%), Universal Coal Development IV (Pty) Ltd (NCC) (49%), Eloff Agriculture and Mining Company (Pty) Ltd (Eloff) (49%), Universal Coal Development II (Pty) Ltd (Berenice) (50%). And Universal Coal Development V (Pty) Ltd (Cygnus) (50%)

Related party transactions	6 months 31 December 2022	6 months 31 December 2021
Payment for goods and services:		
Ndalamo Resources (Pty) Ltd (management fees) #	-	5,220,117
Services from Lewis Mining Consulting (directors fees) - Glen Lewis	65,083	92,280
Services from OT21 Consulting (director fees) - Shane Kyriakou	39,220	59,811
Services from Craig Lyons (director fees)	127,500	174,307
	231,803	5,546,515

balance is nil for the 6-month period to 31 December 2022 due to the deconsolidation of the South African operations.

Related party balances	31 December 2022 \$ '000	30 June 2022 \$ '000
Current trade and other payables:		
Trade payables to Lewis Mining Consulting - Glen Lewis	12	9
Trade payables to OT21 Consulting - Shane Kyriakou	-	18
Trade payables to Craig Lyons	22	22
Receivable from and payable to related parties		
Loan from Ndalamo Resources (Pty) Ltd – Payable to UCEHSA	4,246	4,169
Associate loan payable to UCEHSA	17,792	36,893

Loan receivable

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

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

Terms and conditions

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

12. Performance rights

During the half year performance rights were granted to key management personnel under the Company's long-term incentive (LTI) plan. A total of 2,895,394 performance rights were granted to eligible participants as follows:

- 1,428,454 on 25 August 2022; and
- 1,467,480 on 9 September 2022, subject to shareholder approval (obtained on 28 November 2022).

Following shareholder approval, the performance rights were formally issued on 20 December 2022. The performance rights are not quoted on the ASX and carry no dividend or voting rights.

Notes to the interim consolidated financial statements



12. Performance rights (continued)

Each performance right entitles an eligible participant to receive one ordinary fully paid share in the Company or, at the Board's discretion, an equivalent cash payment, subject to certain vesting criteria being met.

Key terms of the performance rights are outlined below:

- Service Conditions which apply are the continued employment of the eligible participant until the vesting date.
- Performance period is the period from 1 July 2021 to 30 June 2022 (**Performance Period**).
- The number of Performance Rights awarded to eligible participants is determined based on the Total Shareholder Return (**TSR**) during the Performance Period benchmarked against comparable coal mining companies listed on the ASX.
- The number of performance rights awarded is determined by assessing the TSR of the Company, as a percentile ranking, compared to the average TSR for the same period of a group of comparator companies.
- Once the final percentage of the LTI award has been determined (% basis), the number of performance rights to be issued to an eligible participant is calculated with reference to the opening share price on the day after the Performance Period has completed (i.e. 1 July 2022).
- Rights vest only on completion of service conditions as outlined below:
 - Tranche 1: 50% of the options vest at the completion of the service period on 31 December 2022. Note, these performance rights vested on 31 December 2022. Fully paid ordinary shares were issued to eligible participants on 3 January 2023.
 - Tranche 2: 50% of the options vest at the completion of the service period on 30 June 2023.
 - The Board has the discretion to adjust the service conditions where it is considered appropriate to do so.

Accounting treatment

The fair value of the performance rights granted is determined based on the share price at the time of issue. In line with AASB 2 Share Based Payment, the related expense for the shares is recorded from the date that agreement with the employee is met. Expense of \$1.54 million has been recognised in the profit or loss during the half year.

13. Contingent liabilities

There are a number of legal claims against the Group that have arisen in the ordinary course of business, largely related to the South African operations. The Group does not believe that these matters will result in any material adverse outcome based on information currently available.

14. Events after the reporting period

Other than noted elsewhere in this report, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration



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

- a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001 (Cth)*, including
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

On behalf of the board

A handwritten signature in black ink, appearing to read "G Campbell".

Graeme Campbell
Non-Executive Chairman

A handwritten signature in black ink, appearing to read "D McCarthy".

Danny McCarthy
Managing Director

Sydney
27 February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TerraCom Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of TerraCom Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

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Responsibility of the directors for the financial report

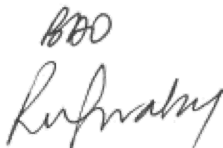
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd



R M Swaby
Director

Brisbane, 27 February 2023