TERRACOM

TERRACOM LIMITED

ANNUAL REPORT

2021

CORPORATE DIRECTORY

PEOPLE

Directors	Craig Ransley (Executive Chairman)
	Danny McCarthy (Managing Director)
	Matthew Hunter (Non-executive Director)
	Shane Kyriakou (Non-executive Director)
	Glen Lewis (Non-executive Director)
	Craig Lyons (Non-executive Director)
Company Secretary	Megan Etcell (Executive General Manager Corporate Affairs)
Chief Commercial Officer	Nathan Boom
Chief Financial Officer	Celeste van Tonder

CORPORATE INFORMATION

Registered Office	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia Telephone: +61 7 4983 2038
Contact Address	PO Box 131 Clermont, Queensland, 4721, Australia
Website	terracomresources.com
Country of Incorporation	Australia
ABN	35 143 533 537
Stock Exchange Listing	Australian Securities Exchange Ltd ASX Code: TER

SERVICE PROVIDERS

Share Registry	Link Market Services Limited Level 12, 680 George Street Sydney, New South Wales 2000 Australia
Telephone	+61 1300 554 47
Facsimile	+61 2 9287 0303
Email	registrars@linkmarketservices.com.au
Auditors	Ernst & Young 200 George Street Sydney, New South Wales, 2000 Australia

How to use this report

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DOWNLOAD

Scan the QR code to download a PDF of the 2021 TerraCom Limited Annual Report.

KEY HIGHLIGHTS

EBITDA
$17.0m

increase of 349%

Managed[1] coal sales
9.18Mt

Managed[1] ROM Production
13.23Mt

Mine Transition
Transitioned to owner-operator at the Group's Blair Athol mine in Queensland, Australia

Refined Operating Costs
reduced and sustained Free on Board Operating Costs at Blair Athol mine to approximately A$65 per tonne (since August 2020).

Coal Export Strategy Implemented in South Africa
the first full shipment of thermal coal from the Group's North Block Colliery sailed in March 2021.

Operational improvements delivered at the Group's South African operations
immediate operational improvements delivered following the finalisation of the integration of the SA business into the TerraCom management system.

The Group's 5th operation is now in production
The Ubuntu colliery in South Africa is now in steady state production and forecast to deliver 1.2Mt per annum.

[1] the data represents total tonnes and assumes 100% ownership of the South African operations

SECTION 1

COMPANY OVERVIEW

IN THIS SECTION

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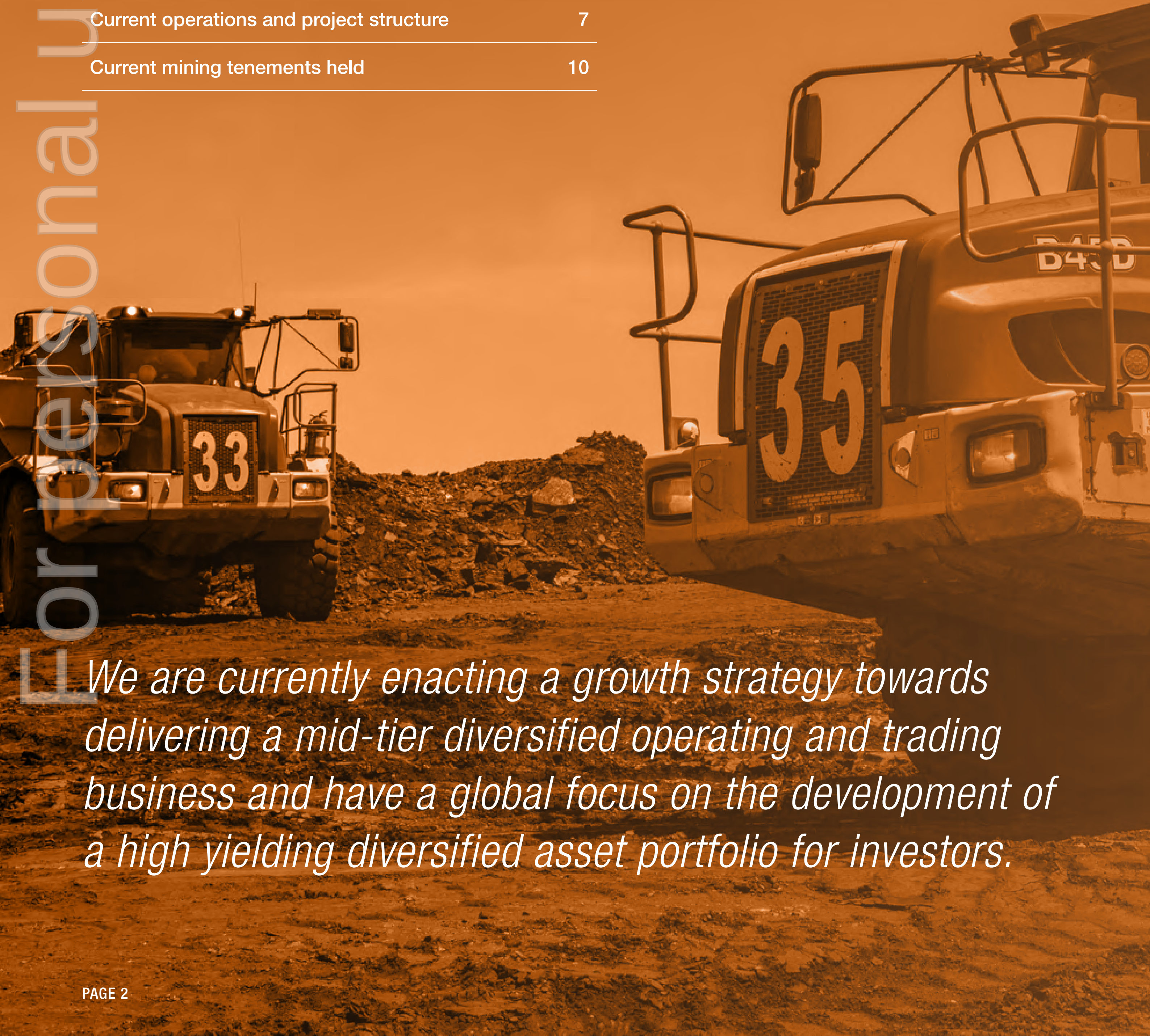
Current mining tenements held	10



We are currently enacting a growth strategy towards delivering a mid-tier diversified operating and trading business and have a global focus on the development of a high yielding diversified asset portfolio for investors.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Craig Ransley, Executive Chairman, TerraCom Limited

"TerraCom has navigated through the challenges of the COVID-19 pandemic and is now well positioned to take advantage of the strong thermal export coal market."

Dear Shareholders,

It is my pleasure to be able to present the TerraCom Limited (ASX: TER) (TerraCom or the Company) Annual Report for the year ended 30 June 2021.

Our business, like many others, has been presented with a number of challenges throughout the financial year as a result of the COVID-19 pandemic. Uncertainties about the pandemic and associated recoveries has meant that the Company has had to continue to assess and adapt to a constantly changing working and global environment.

Despite the challenges, I am proud of our people for their resilience and dedication to deliver the financial result in FY2021. Whilst the export coal market in which we operate has seen a year of cyclical lows as well as near record highs, all within the space of 12 months, the improved demand for thermal coal during the second half of the financial year meant the Company was able to recover and deliver a positive financial result during January 2021 to June 2021.

The transition to owner operator at the Company's flagship mine, Blair Athol, at the end of July 2020, proved successful and cost reductions implemented immediately on transition ultimately resulted in the operation delivering a strong operating and financial performance for the reporting period. The operation has now managed a substantial and sustained reduced free on board cost base which will enable the operation to achieve strong margins at long run coal prices.

The acquisition of Universal Coal plc was finalised at the end of June 2020 and saw the Company diversify from both a geographical and client base perspective. Following this acquisition, the Group grew from a sole operation in Australia to a multi operational organisation with interests in five operations throughout Australia and South Africa.

The South African operations were negatively impacted by COVID-19, particularly during the first half of the year, as Eskom (the major South African electricity supplier) reduced offtake quantities from those contracted for all operating mines. Whilst the South African operations offer a natural market hedge as a result of fixed price contracts with Eskom, the reduced quantities saw the South African operations deliver lower than expected financial results. A shift was experienced during the last quarter of the financial year with respect to domestic supply to Eskom and all three operating mines exceeded contracted offtake quantities, signalling a shift back to pre-pandemic levels.

The Company has worked tirelessly during FY21 to refinance the Euroclear Bond. It has navigated a number of challenges along the way, including but not limited to, limitation of financiers providing funding to thermal coal companies, liquidity in debt capital markets, and COVID-19. With respect to the current debt position, the Board has been elated by the continued support from our current bondholders who have supported the Company a number of times over the years. The agreement with the current bondholders to enact a restructured finance arrangement of the existing debt removes the Company's refinance risk and assuming the market remains strong (as it currently is), the Company looks forward to fully repaying the Euroclear Bond by the expiry of the new term, being over the next 15 months to 31 December 2022. Deleveraging the Company through the extinguishment of the debt over this time will increase the value proposition for shareholders as it should enable the Company's balance sheet to pivot and provide an annuity stream for shareholders through sustained dividends.

Despite the challenges presented during the 2021 Financial Year, the Company is well placed to continue to grow the organisation from both an operational and financial perspective. Whilst no dividends were declared in FY2021, a return to paying dividends is a key focus for the Company, as well as debt reduction.

I would like to thank shareholders, stakeholders and current bond holders for their continued support and my fellow Directors and our management and staff for their continued work on shareholders' behalf.

Craig Ransley
Executive Chairman

MANAGING DIRECTOR UPDATE

Danny McCarthy, Managing Director, TerraCom Limited

The 2021 Financial Year delivered a lot of highlights and setbacks and I am proud of the Company and our people for what has been delivered. Our response to COVID-19 was to ensure everyone kept their job so they had the certainty to support their families. Despite the obstacles associated with COVID-19, the performance of our people through this pandemic has been extraordinary and the Company has continued to deliver from an operational perspective. Our culture of resilience is strong, something I am incredibly proud of and grateful for.

The impacts of COVID-19 have not gone unnoticed, particularly with respect to the South African operations. The reduced supply to the major South African electricity supplier throughout Q1 to Q3 of the reporting period impacted the financial results and the ongoing lock-downs and spread of COVID-19 throughout the workforce and communities presented unique challenges to overcome.

A critical review of the South African operations was completed during the June 2021 Quarter and this resulted in the implementation of a number of governance and operational improvements as well as the integration of the South African operations into the TerraCom management system. The South African operating mines demonstrated a positive turnaround during the June 2021 Quarter with all mines exceeding contracted offtake quantities to Eskom. This result was pleasing and demonstrates South Africa returning to pre-pandemic levels. Total managed ROM production achieved for the full financial year from the SA operations was 10.7 million tonnes and total coal sales (export and import) totalled 7.3 million tonnes. The South African business revenue per tonne (year-on-year) remained steady at $56.2 per tonne and the business unit demonstrated its resilience by only recording a 1% increase in operating costs per tonne, which was less than the recorded CPI in South Africa.

With respect to the Australian operations, the Company transitioned its Blair Athol (BA) mine in Queensland to owner operator at the end of July 2020 and this strategic decision proved successful. Free-on-board cost reductions, excluding royalties, at BA in the vicinity of $10 per tonne (or 13%) were implemented almost immediately on transition, and have been maintained. The reduced cost base at BA has meant that the Company is now recognising superior margins given the strong seaborne export market and is well positioned to remain profitable at long run coal price cycles. Total ROM Production at BA reached 2.55 million tonnes and total coal sales for the full financial year were 2.25 million tonnes. These production results were excellent and well above the expected coal sales production profile of 2 million tonnes per annum, which was set at the time of transition. The BA operation continues to deliver superior results and this is reflective of the continued dedication of the staff and workforce.

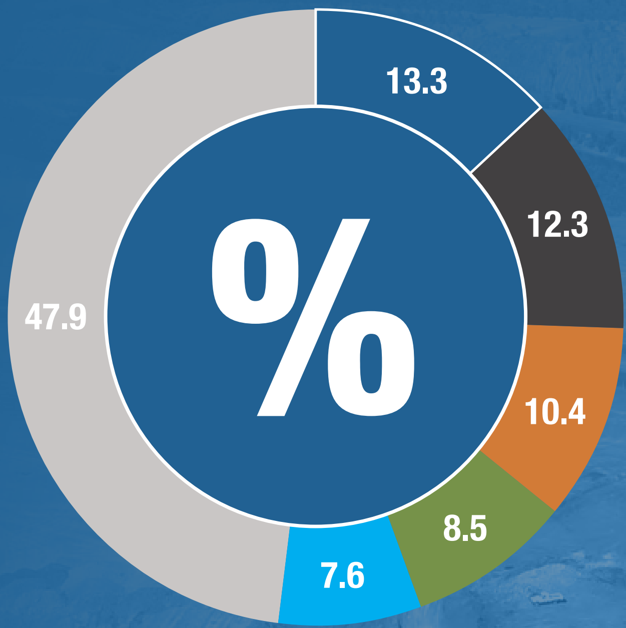
Regardless of the many challenges encountered along the way, the operational result for the Financial Year has remained consistent. The result is a direct testament to our entire workforce and I wish to personally thank them for their continued efforts. As our business continues to transform, I am confident that we will overcome any challenges we encounter and we will continue to grow from both a financial and operational perspective.

I thank the TerraCom Board for their guidance and support, my leadership team for their commitment and each and every one of TerraCom's men and women for helping to maintain this growing business.

Danny McCarthy
Managing Director

SHAREHOLDER ANALYSIS
as at end August 2021

TER directors and management	13.3%	100,664,470
OCP Asia	12.3%	92,867,007
Bonython	10.4%	78,819,723
Javelin Commodities	8.5%	64,316,368
AMED	7.6%	57,704,504
Other	47.9%	351,235,558
Total shares		**754,607,630**



COUNTRY DIVERSIFICATION

ASX listed coal producer with operations in Australia, South Africa and Guinea

ORGANIC GROWTH

Near term brownfield and greenfield expansion opportunities from within existing portfolio of external assets

CASH GENERATING

Capitalising on strong demand for low impurity thermal coal

ASX: TER AS AT 30 JUNE 2021 UNLESS STATED

Market capitalisation (A$ million)	**98.1**
Shares on issue (million)	**754.6**
Options and warrants on issue (million) ^	**41.0**

^ 41.0m shares from US$20 m Convertible Note at strike price of $0.696.

VISION, PURPOSE AND VALUES

OUR VISION

To be recognised as a reliable global resources company that delivers sustainable returns to shareholders and partners.

OUR PURPOSE

To acquire, build and operate assets in the resources and energy sector across multiple jurisdictions and create long term value for shareholders by being dynamic and innovative, building on our unique internal and external relationships, caring for and investing in our people and the community and operating with integrity and respect.

OUR VALUES

People

We value safety and have an inclusive and respectful culture

We achieve the greatest outcomes through collaboration and teamwork

We are a respected employer within our industry

Performance

We always deliver and do what we say

We are accountable to all stakeholders

We strive for continuous improvement every day

Passion

Our innovation delivers a future for the industry

We continually find new ways to be leaders in sustainability of the mining sector

We are focused on maximising value for shareholders and the community

Partnerships

We are proactive with all stakeholders

We have dynamic alliances to ensure a skilled workforce and sustainable industry

Our strategic partnerships within the industry provide opportunities to benefit both shareholders and the community

CURRENT OPERATIONS AND PROJECT STRUCTURE

TerraCom Limited (ASX : TER)

AUSTRALIA

OPERATIONS	PROJECTS
Blair Athol	Northern Galilee
	Springsure

SOUTH AFRICA

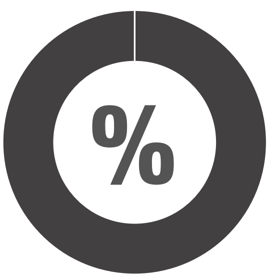
OPERATIONS	PROJECTS
Kangala & Eloff Colliery	Berenice Project
New Clydesdale Colliery	Cygnus Project
North Block Complex	Arnot South Project *
Ubuntu Colliery	

** not currently owned by Terracom*

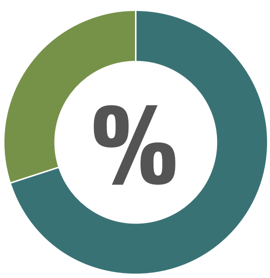
OPERATIONS OVERVIEW

Operations	Commodity	Annual ROM Production	Life of Mine
AUSTRALIA			
Blair Athol	Thermal Coal	**2.5**	Approximately 10 years at current operational run rate
SOUTH AFRICA			
Kangala and Eloff	Thermal Coal	**3.2**	10-year Eloff extension fully permitted subject to finalisation of domestic sales contract.
NCC	Thermal Coal	**4.6**	13 years
NBC	Thermal Coal	**5.2**	9 years
Ubuntu	Thermal Coal	**1.2**	6 years

CURRENT COMMODITY COMPOSITION



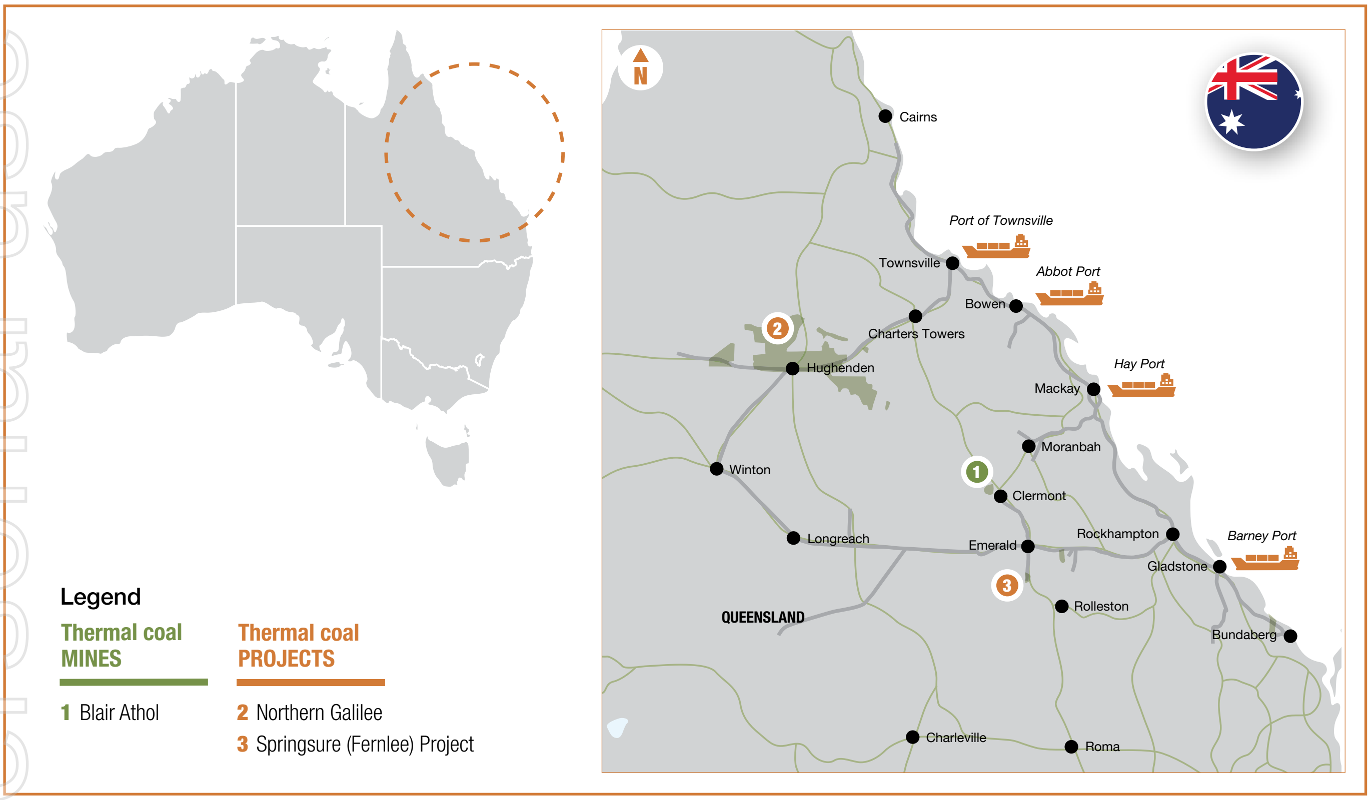
CURRENT SALES PROFILE

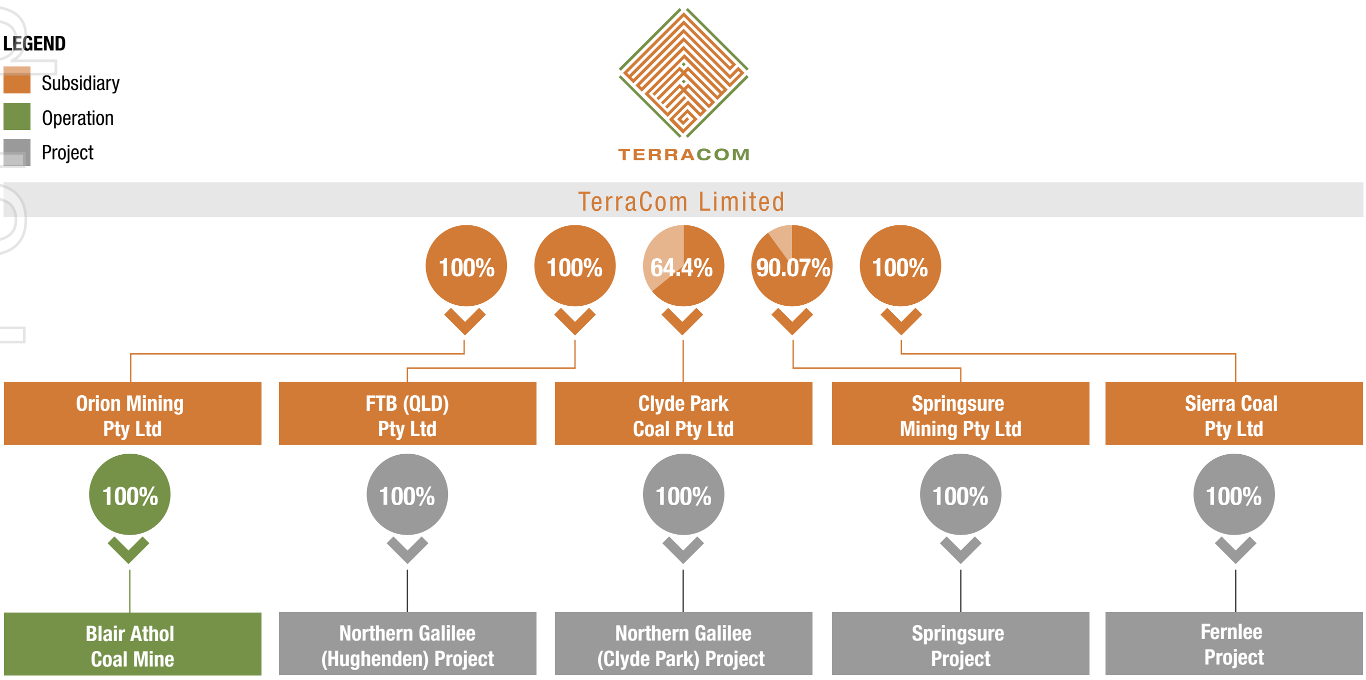


COMPANY OPERATIONS AND PROJECTS OVERVIEW

LOCATION OF OPERATIONS Australia

TerraCom acquired its flagship Blair Athol Coal Mine, located in Clermont Queensland, in 2017. Since the acquisition, the Company has successfully restarted operations and now exports over 2 million tonnes per annum of high quality thermal coal. Rehabilitation at the site is progressive and forms part of the ongoing mining operations.



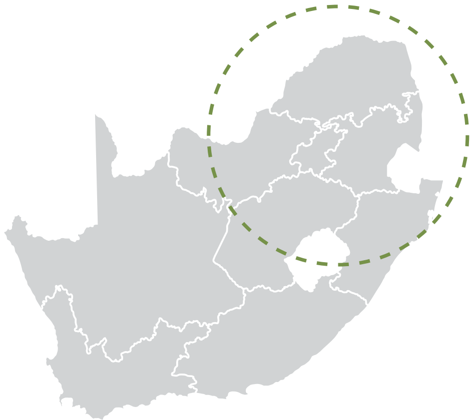


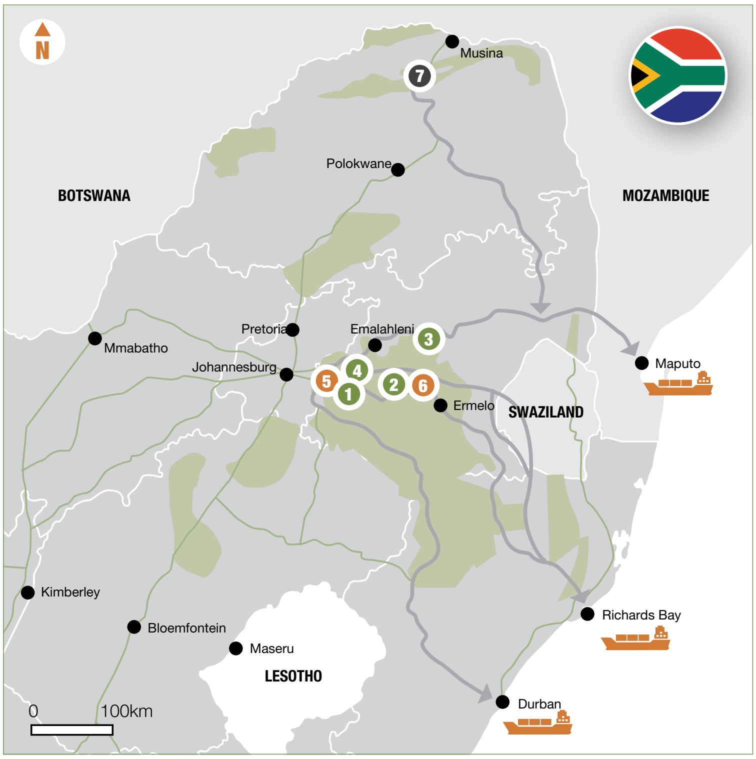
LOCATION OF OPERATIONS South Africa

TerraCom acquired 100% of Universal Coal Plc (Universal) as at June 2020. Universal holds an interest in a portfolio of producing, development and exploration assets located across South Africa's major coalfields.

A number of management changes were introduced at the South African operations during April 2021. Following these changes, critical analysis of each operation was completed, and immediate operational improvements delivered following the finalisation of the integration of the South African business into the TerraCom management system.

A strong platform has now been created to achieve growth and deliver the financial performance that Universal has historically delivered (pre TerraCom takeover).





Legend

Thermal coal MINES	Thermal coal PROJECTS	Coking coal PROJECT
1 Kangala	5 Eloff	7 Berenice/Cygnus
2 NCC	6 Arnot South*	
3 NBC		
4 Ubuntu		

** Not currently owned by TerraCom*

LEGEND
- Operation
- Project
- BEE partner

Universal Coal

Universal Coal and Energy Holdings South Africa (Pty) Ltd (UCEHSA)

Interest	Entity	BEE partner
70.5%	UCDI – Kangala Colliery	Mountain Rush Trading 6 (Pty) Ltd
50%	UCDII – Berenice Project	Bono Lithihi Investment Group (Pty) Ltd
48.9%	UCDIII – Ubuntu Colliery	Ndalamo Resources (Pty) Ltd
50%	UCDV – Cygnus Project	Solar Spectrum 365 (Pty) Ltd
49%	UCDIV – New Clydesdale Colliery	Ndalamo Resources (Pty) Ltd
49%	North Block Complex	Ndalamo Resources (Pty) Ltd
49%	Eloff Mining (Pty) Ltd	Ndalamo Resources (Pty) Ltd

CURRENT MINING TENEMENTS HELD

AUSTRALIAN MINING TENEMENTS

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

SOUTH AFRICAN MINING TENEMENTS

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

SECTION 2

JORC RESOURCES AND RESERVES STATEMENT

Ubuntu

JORC RESOURCES AND RESERVES STATEMENT

Mineral Resources and Ore Reserves estimates are reported in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2012 as required by the ASX.

JORC RESOURCES – AUSTRALIA (AS AT 30 JUNE 2021)

	Location	Status	Licence Number	Commodity	Measured	Indicated	Inferred	2021 Financial Year Total	2020 Financial Year Total	Report Date
JORC 2012					25.8	11.3	2.0	**39.1**	41.0	
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	25.8	11.3	2.0	**39.1**	41.0	06-Dec-2018
JORC 2004					–	227	1,901	**2,128**	2,128	
Springsure [(1)]	Southern Bowen Basin, Springsure, Queensland, Australia	Exploration	MDL3002; EPC1674	PCI Coal and Thermal Coal	–	43	148	**191**	191	29-Nov-2013
Hughenden	Galilee Basin, Hughenden, Queensland, Australia	Exploration	EPC1300; EPC1394; EPC1477; EPC1478; EPC1479; EPC1641; EPC2047; EPC2049; EPC2105	Thermal Coal	–	133	1,076	**1,209**	1,209	8-Feb-2013
Clyde Park [(2)]	North Eastern Galilee Basin, Hughenden, Queensland, Australia	Exploration	EPC1250; EPC1260	Thermal Coal	–	51	677	**728**	728	8-Feb-2013
TOTAL JORC					**25.8**	**238.3**	**1,903.0**	**2,167.1**	**2,169.0**	

[(1)] *Figures shown are 100% of the total resources. TerraCom's ownership is 90.07%.*

[(2)] *Figures shown are 100% of the total resources. TerraCom's ownership is 64.40%.*

COMPETENT PERSONS STATEMENT

ANNUAL COAL RESOURCES SUMMARY

The estimates of coal resources herein have been prepared in accordance with the guidelines of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code'. These resources are inclusive of the reserves reported in the Reserves Statement. The work has been undertaken internally and reviewed by Mr Reece Henry who is a Member of the Australian Institute of Mining and Metallurgy. Mr Henry has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the relevant JORC Code. Mr Henry consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements relating to drill results, resource estimates or studies and that all material assumptions and technical parameters underpinning the drill results and estimates in the relevant market announcements continue to apply and have not materially changed. Please refer to the column in the table above titled "Report Data" for the announcement date of each release relating to the relevant deposit.

JORC RESOURCES AND RESERVES STATEMENT CONTINUED

JORC RESERVES – AUSTRALIA (AS AT 30 JUNE 2021)

	Location	Status	Licence Number	Commodity	Proved	Probable	2021 Financial Year Total	2020 Financial Year Total	Report Date
Recoverable Reserves – JORC 2012									
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	8.7	16.1	**24.8**	24.5	23 August 2021
Marketable Reserves – JORC 2012									
Blair Athol	Clermont, Queensland, Australia	Mine	ML1804	Thermal Coal	7.1	12.5	**19.5** #	19.9	23 August 2021

 # due to rounding of reported figures not all totals may reconcile to the sum of the reported components.


Blair Athol

COMPETENT PERSONS STATEMENT

ANNUAL COAL RESERVES SUMMARY

The information in this report relating to Coal Reserves is based on information compiled by Ian Neilsen who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Deswik Mining Consultants Pty Ltd.

Ian Neilsen is a qualified Mining Engineer and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves."

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements relating to drill results, resource estimates or studies and that all material assumptions and technical parameters underpinning the drill results and estimates in the relevant market announcements continue to apply and have not materially changed. Please refer to the column in the table above titled "Report Data" for the announcement date of each release relating to the deposit.

BLAIR ATHOL – RESERVES

The information in this report relating to Coal Reserves for Blair Athol was announced on 23 August 2021, titled "TerraCom Blair Athol Mine Life Extended to 10 years" is based on information compiled by Ian Neilsen who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Deswik Mining Consultants Pty Ltd.

Ian Neilsen is a qualified Mining Engineer and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves."

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 23 August 2021; and that all material assumptions and technical parameters in the announcement made on 23 August 2021 continue to apply and have not materially changed.

BLAIR ATHOL – RESOURCES

The information in this report relating to coal resources for Blair Athol was announced on 6 December 2018, titled "JORC Resource Confidence Upgrade - Blair Athol". This is based on information compiled by Mr Greg Jones who is a Principal Consultant of JB Mining Services Pty Ltd. Mr Jones is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves."

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 6 December 2018; and that all material assumptions and technical parameters in the announcement made on 6 December 2018 continue to apply and have not materially changed.

CLYDE PARK – RESOURCES

The information in this report relating to coal resources for Clyde Park was announced on 8 February 2013, titled "Mongolia and Queensland Update". This is based on information compiled by Ms Kim Maloney who is previously Senior Resource Geologist of Moultrie Geology. Ms Maloney has experience within the Central Queensland coal mines and has held various roles in these mine's Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a Competent Person for coal as defined by the JORC Code (2004). Ms Maloney is a Senior Resource Geologist, previously with Moultrie Geology. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Ms Maloney is a Member of The Australasian Institute of Mining & Metallurgy (#229120) and a Member of the Bowen Basin Geological Group.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 8 February 2013; and that all material assumptions and technical parameters in the announcement made on 8 February 2013 continue to apply and have not materially changed.

SPRINGSURE – RESOURCES

The information in this report relating to coal resources for Springsure was announced on 29 November 2013, titled "Maiden Springsure JORC Indicated Resource". This is based on information compiled by Ms Kim Maloney who is previously Senior Resource Geologist of Moultrie Geology. Ms Maloney has experience within the Central Queensland coal mines and has held various roles in these mine's Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a Competent Person for coal as defined by the JORC Code (2004). Ms Maloney is a Senior Resource Geologist, previously with Moultrie Geology. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Ms Maloney is a Member of The Australasian Institute of Mining & Metallurgy (#229120) and a Member of the Bowen Basin Geological Group.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 29 November 2013; and that all material assumptions and technical parameters in the announcement made on 29 November 2013 continue to apply and have not materially changed.

HUGHENDEN – RESOURCES

The information in this report relating to coal resources for Hughenden was announced on 8 February 2013, titled "Mongolia and Queensland Update". This is based on information compiled by Mr Mark Briggs who is previously Principal Geologist of Moultrie Database and Modelling. Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy (Member #107188) and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement on 8 February 2013; and that all material assumptions and technical parameters in the announcement made on 8 February 2013 continue to apply and have not materially changed.

JORC RESOURCES AND RESERVES STATEMENT CONTINUED

JORC RESOURCES AND RESERVES – SOUTH AFRICA (AS AT 30 JUNE 2021)

Deposit	Location	Licence Number	Status	Commodity
Thermal Coal				
Kangala Colliery – Wolwenfontein	Delmas. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/429MR	Valid Mining Right	Thermal Coal
Kangala Colliery – Middelbult		Mining Right application MP30/5/1/1/2/10179MR	Granting of Mining Right pending In progress	
New Clydesdale Colliery	Kriel. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/429MR	Valid Mining Right	Thermal Coal
Ubuntu Colliery	Delmas.Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/10027MR	Valid Mining Right	Thermal Coal
North Block Complex Colliery - Glisa	Belfast. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/1/326MR	Valid Mining Right	Thermal Coal
North Block Complex Colliery – Eerstellingsfontein		Mining Right: MP30/5/1/1/2/19MR (10068MR)	Valid Mining Right	
North Block Complex Colliery - Paardeplaats		Mining Right: MP30/5/1/2/2/10090MR	Valid Mining Right	
Eloff Project	Delmas. Mpumalanga Province. South Africa	Mining Right: MP30/5/1/2/2/10169MR	Mining Right granted and executed. Registration of the mining right is underway.	Thermal Coal
Coking Coal				
Berenice/Cygnus Project	Waterpoort. Limpopo Province. South Africa	Mining Right: LP30/5/1/1/2/10131MR	Granting of Mining Right pending due to an appeal against issuance of Environmental Authorisation. In progress.	Thermal Coal/ Metallurgical Coal
		Mining Right application LP30/5/1/1/2/10169MR	Mining Right Application lodged and accepted. Granting of Mining right pending. In progress.	
TOTAL THERMAL AND COKING COAL				

RESOURCES SUMMARY

* Normal reduction in Resources on all operations from July 2020 to end June 2021 is due to production.

Proved Mt	Probable Mt	2021 Financial Year Mt	2020 Financial Year Mt	Measured Mt	Indicated Mt	Inferred Mt	2021 Financial Year Mt	2020 Financial Year Mt	TerraCom interest %	Report Date
–	–	**–**	1.3	47.3	15.0	32.3	**94.6**	95.6	70.5	12 October 2017
36.9	5.9	**42.8**	47.5	76.5	32.6	6.5	**115.6**	120.4	49.0	27 April 2017
7.7	–	**7.7**	9.0	30.0	39.4	4.7	**74.1**	75.5	48.9	13 January 2015
44.5	–	**44.5**	48.2	52.2	11.3	12.1	**75.6**	79.5	49	12 December 2018
–	–	**–**	–	11.8	266.0	250.6	**528.4**	528.3	49	9 July 2017 + 20 March 2019 (correction)
89.1	5.9	**95.0**	106.0	217.8	364.3	306.2	**888.3**	899.3		
–	–		–	424.9	800.9	124.3	**1,350.1**	1,350.1	50.0	23 February 2013
–	–		–	424.9	800.9	124.3	**1,350.1**	1,350.1		
89.1	5.9	**95.0**	106.0	642.7	1,165.2	430.5	**2,238.4**	2,249.4		

RESERVE SUMMARY

* The reduction in Reserves on all operations from July 2020 to end June 2021 is due to production.

JORC RESOURCES AND RESERVES STATEMENT CONTINUED

JORC RESERVES – SOUTH AFRICA (AS AT 30 JUNE 2021)

		Ore reserves				
		2021 Financial Year Proved ('000 tonnes)	2021 Financial Year Probable ('000 tonnes)	2020 Financial Year Proved ('000 tonnes)	2020 Financial Year Probable ('000 tonnes)	Report Date
Reserves at Operating Mines						
Kangala	O/C	–	–	1.3	–	12 October 2017
NCC	O/C & U/G	**36.9**	**5.9**	41.7	5.9	27 April 2017
NBC	O/C	**44.5**	–	48.2	–	12 December 2018
Ubuntu	O/C	**7.7**	–	9.0	–	13 January 2015
Total		**89.1**	**5.9**	100.1	5.9	

		Marketable ore reserves		
		2021 Financial Year ('000 tonnes)	2020 Financial Year ('000 tonnes)	Report Date
Reserves at Operating Mines				
Kangala	O/C	–	0.8	12 October 2017
NCC	O/C & U/G	**35.5**	32.8	27 April 2017
NBC	O/C	**29.6**	31.5	12 December 2018
Ubuntu	O/C	**7.1**	8.5	13 January 2015
Total		**72.2**	73.6	

		Universal Coal share at 30 June 2021		
		Interest %	Ore reserves ('000 tonnes)	Marketable ore reserves ('000 tonnes)
Reserves at Operating Mines				
Kangala	O/C	**70.5**	–	–
NCC	O/C & U/G	**49.0**	**18.1**	**17.4**
NBC	O/C	**49.0**	**21.8**	**14.5**
Ubuntu	O/C	**48.9**	**3.8**	**3.6**
Total			**43.7**	**35.5**

COMPETENT PERSONS STATEMENT

North Block Complex – Resources and Reserves

The Coal Resource estimate for North Block Complex was prepared by Mr Simon Mokitimi and Ms Lydia Tseka who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Mokitimi and Ms Tseka are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

The North Block Complex Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Jacobus Kemp.
Mr Phillip van Vuuren is a member of SAIMM (recognised Overseas Professional Organisation) and is employed by Mining Resource Consulting (Pty) Ltd. Mr van Vuuren and Kemp have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Kemp consent to the inclusion in this report of this information in the form and context in which it appears.

New Clydesdale Colliery – Resources and Reserves

The Coal Resource estimate for NCC was prepared by Messrs Simon Mokitimi and Pogiso Rantao who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Messrs Mokitimi and Rantao are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

The NCC Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Pieter Coetser. Mr Phillip van Vuuren, is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Coetser have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Coetser consent to the inclusion in this report of this information in the form and context in which it appears.

Kangala – Resources and Reserves

The Coal Resource estimate for Kangala was prepared by Mr Simon Mokitimi and Ms Lauren Gamba who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Mokitimi and Ms Gamba are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

The Eloff Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Jacobus Kemp. Mr Phillip van Vuuren, is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Kemp have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Kemp consent to the inclusion in this report of this information in the form and context in which it appears.

Ubuntu Project – Resources and Reserves

The Coal Resource estimate for Ubuntu was prepared by Messrs Simon Mokitimi and Ntsako Mavanyisi who are registered natural scientists and members of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Messrs Mokitimi and Mavanyisi are employed by Universal Coal Energy Holdings SA (Pty) Ltd. They have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

NCC Colliery

The NCC Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Jacobus Kemp. Mr Phillip van Vuuren, is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Kemp have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Kemp consent to the inclusion in this report of this information in the form and context in which it appears.

Eloff Project – Resources and Reserves

The Coal Resource estimate for the Eloff Project was prepared by Messrs Nico Denner, who is a registered natural scientists and member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears. The Eloff Project Coal Reserve estimate was prepared by Messrs Phillip van Vuuren and Jacobus Kemp. Mr Phillip van Vuuren, is a registered member of SAIMM (recognised Overseas Professional Organisation). Messrs van Vuuren and Kemp have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC). Messrs van Vuuren and Kemp consent to the inclusion in this report of this information in the form and context in which it appears.

Berenice and Arnot South - Resources

The Coal Resource estimate for Berenice and Arnot South was prepared by Messrs Nico Denner, who is a registered natural scientists and member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results (JORC) and consent to the inclusion in this document of this information in the form and context in which it appears.

SECTION 3

DIRECTOR'S REPORT

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Blair Athol

PRINCIPAL ACTIVITIES

The principal activity of TerraCom Limited and its controlled entities (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.

DIRECTORS

CRAIG RANSLEY

EXECUTIVE CHAIRMAN

Chairperson of Remuneration Committee

Appointed 21 February 2020

Craig Ransley is the founder of TerraCom (then Guilford Coal Limited) and re-joined the Board as Deputy Chairman in February 2020. Throughout the past number of years Mr Ransley has been instrumental in working with the Board to restructure the Company and its balance sheet and has also been an integral part of TerraCom's expansion into emerging markets.

Mr Ransley is a qualified Fitter and Machinist (trade qualified) and has a broad entrepreneurial background. He has been the driving force in building a number of companies and has extensive experience in the labour hire and service industries, being a founder and Managing Director of the TESA Group Pty Limited which sold to the Skilled Group in 2006 for $63 million. In addition to founding TerraCom, Mr Ransley also founded NuCoal Resources Limited and was actively involved in its listing on the ASX in 2010.

Former ASX listed directorships in the last three years: Non-Executive Director, Universal Coal plc (was ASX listed until July 2020) (appointed December 2019).

DANNY MCCARTHY

MANAGING DIRECTOR

Member of HSEC Committe

Appointed 1 April 2021

Chief Executive Officer from 1 December 2018.

Danny McCarthy is a highly experienced mining executive having held senior roles with Mineral Resources, Thiess, Wesfarmers, and QCoal and has a proven record of delivering exceptional results over 23-years in the resources sector. Prior to joining TerraCom in December 2018, for 2.5 years, Mr McCarthy held the role of Chief Operating Officer for the highly regarded, West Australian based, commodity producer and mining services company Mineral Resources Limited (ASX: MIN, Market capitalization of approximately $2.5 Billion). During his time in this role, he has overseen the successful implementation of MIN's strategic growth initiatives.

Mr McCarthy brings a wealth of experience to TerraCom with a strong commercial focus and background in the development and implementation of business strategy, construction, mining and minerals processing across a range of commodities.

Former ASX listed directorships in the last three years: Nil

MATTHEW HUNTER

NON-EXECUTIVE DIRECTOR

Chairperson of Audit Committee

Appointed 18 January 2018

Matthew Hunter has more than 25 years' experience in the finance and investments industries, with over 15 years' experience in principal investment.

Mr Hunter founded Rivendell Capital in 2016 to provide investment and mergers and acquisitions advisory services, and undertake private equity investments. Prior to founding Rivendell Capital, Mr Hunter was a Managing Director of The Carlyle Group. He also served on the Board as a Non Executive Director of both Coates Hire and Healthscope, two of the largest private equity transactions undertaken in Australia at the time.

Mr Hunter is a consultant to OCP Asia (Terracom's largest shareholder and debt holder) and their nominee Director on the Board. He is presently also Chairman of Emay Pty Ltd and Non Executive Director of MediRent, Bothar Group, National Group and MP Water.

Former ASX listed directorships in the last three years: Silver Heritage Group Limited (appointed December 2016), resigned March 2020.

GLEN LEWIS

NON-EXECUTIVE DIRECTOR

Chairperson of HSEC Committee

Member of Remuneration Committee

Appointed 23 December 2019

Glen Lewis is a qualified Coal Mine Manager and has worked in the Coal Industry since 1980. Throughout his career he worked at all levels of Management inclusive of 10 years as an Undermanager at various operations including United Colliery and Dartbrook Coal where he was part of the Management Team for the construction of both projects. In 1997 he commenced as Mine Manager at Cumnock Coal and in 1999 was promoted to Operations Manager at Oceanic Coal (consisting of West Wallsend and Teralba underground mines and Westside opencut operation) following its acquisition by Xstrata Coal.

Mr Lewis was promoted to the role of General Manager Eastern Underground Operations for Xstrata Coal NSW in 2003 and was then responsible for United Collieries, Cumnock Coal and Oceanic Coal. Continuing with Xstrata Coal NSW, he was promoted to General Manager Operations with overall responsibility for 6 operating mines and several projects under construction. Mr Lewis commenced with NuCoal Resources Ltd (ASX: NCR) in 2010 as Managing Director overseeing the listing, capital raising, exploration and feasibility studies for a number of mining projects in the Hunter Valley. Mr Lewis stepped down from the position of Managing Director in 2017 and remains a Non-Executive Director of NuCoal.

Former ASX listed directorships in the last three years: Nil

CRAIG LYONS

INDEPENDENT, NON-EXECUTIVE DIRECTOR

Member of Audit Committee and Remuneration Committee

Appointed 14 July 2020

Craig Lyons is an experienced and accomplished investment banker and businessman with extensive strategic, management and finance experience in various industries having built and led a number of leading businesses in Southern and West Africa. He actively participates as a chairman/director and/or investment committee member on various company boards, committees and investment funds.

Mr Lyons currently champions a number of investments in South Africa and Africa for companies requiring his independent analysis, views and injection of creative energy, financial acumen, strategic guidance and access to a broad network of relationships.

Mr Lyons worked for Standard Corporate and Merchant Bank (Investment Banking) prior to co-founding Mvelaphanda Strategic Investments (Pty) Ltd where he was responsible for building and managing its investment portfolio of financial services, property, infrastructure, resources, technology, telecommunications, engineering, healthcare and engineering assets and investments. As CEO, he built Mvelaphanda into one of the leading investment houses in South Africa with assets in excess of R28 billion.

Former ASX listed directorships in the last three years: Nil

SHANE KYRIAKOU

NON-EXECUTIVE DIRECTOR

Member of Audit Committee and HSEC Committee

Appointed 7 September 2020

Shane Kyriakou is a lawyer with more than twenty years of experience in the energy and resources sector. For the last thirteen years Shane was a corporate partner at global law firms Herbert Smith Freehills and Ashurst, ultimately holding the role as Ashurst's Global Head of Power. His experience covers mergers and acquisitions, greenfield developments and expansions, fundraising, financing and general corporate advisory.

Mr Kyriakou has been involved in projects across virtually every major mining or petroleum basin in Australia as well as many offshore – Pilbara iron ore, LNG on the North West Shelf, the east coast and Timor Sea, Galilee and Surat Basin coal, Hunter Valley thermal coal, Cadia basin gold, Bass Strait petroleum and South Australia's copper/ uranium basin.

In recent years, a significant part of Mr Kyriakou's work has been associated with inbound resources sector investment by offshore investors. He lived in the UK and then Asia for a number of years and worked at length with some of the largest capital outbound groups from Japan, Korea and China. He maintains a network of contacts and now privately advises clients on opportunities in the resources and power sectors.

Former ASX listed directorships in the last three years: Nil

DIRECTORS CONTINUED

DIRECTORS WHO RESIGNED IN 2021

WALLACE KING AO

Non-Executive, Independent Chairman

Resigned 31 March 2021

Mr Wallace (Wal) King (AO) – BE, MEngSc, Hon DSc Title: Non-Executive Chairman, Independent Director since 17 May 2017 Experience and expertise: Wal has worked in the mining construction industry for over 40 years and was CEO of Leighton Holdings Limited from 1987 until December 2010. Mr King successfully lead Leighton Holdings Limited to become one of the world's major contracting, services and project development organisations, and also the world's largest contract miner. He is a Director of Kimberley Foundation Australia Limited; and was up until May 2017 one of the longest serving Directors of Coca-Cola Amatil Limited. Mr King is also currently the Non-Executive Chairman of Built Holdings Pty Limited. He is a former Deputy Chairman of the University of New South Wales Foundation Limited, former Board Member of the Business Council of Australia, a former Council Member of the University of New South Wales and was President of the Australian Constructors Association from its inception in 1994 to December 2010. Mr King is an Honorary Fellow of the Institution of Engineers Australia; a Foundation Fellow of the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management, the Australian Institute of Building and the Australian Academy of Technological Sciences and Engineering.

Other current directorships: Non-Executive Chairman, Built Group Pty Limited (appointed November 2017).

Former ASX directorships in the last three years: Non-Executive Director, Universal Coal plc (was ASX listed until July 2020) (appointed December 2019, resigned July 2020).

JAMES SOORLEY

Non-Executive, Independent Director

Resigned 13 July 2020

Mr Soorley has been a highly successful leader in local government and business, which is demonstrated through previously being Lord Mayor of the City of Brisbane for 12 years. Mr Soorley's wealth of experience allows him to provide guidance and leadership in stakeholder relations and management to the TerraCom team both within Australian and overseas. Mr Soorley is currently the inaugural Chairman of Unitywater and Chairman of CS Energy, a Queensland Government owned electricity generator producing a third of Queensland's electricity. Mr Soorley is also the inaugural Chairman for the Queensland Partnership Group (now PROPEL). He has also served on a number of key government committees and boards including the A.C.T Land Development Agency and Brisbane International Film Festival.

Former ASX listed directorships in the last three years: Nil

PAUL ANDERSON

Non-Executive Director

Resigned 31 July 2020

Mr Anderson has had broad experience in development after managing a vast array of community infrastructure. His knowledge and experience of all aspects of building lead the team with a strong vision. Mr Anderson firmly believes that property development is a collaborative process with his team, project partners and the local community.

Former ASX listed directorships in the last three years: Nil

THE HON. CRAIG WALLACE

Non-Executive, Independent Director

Resigned 22 August 2020

The Hon. Craig Wallace, B. Arts Qualifications: Bachelor of Commerce, Accounting and Finance. Mr Wallace served as the Queensland Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. His departments delivered major infrastructure projects across Queensland including the Gateway Bridge and rebuilding of Queensland Road assets following major floods. He is a former member of the Executive Council of Queensland, a member of Roads Australia and a Patron of the Committee for Infrastructure and Logistics Australia.

In 2012 he formed Shanghai Commonwealth Investment and Consulting (which is operating mainly in China). The company has a focus on building trade ties between China and Australia with a particular focus on food products. Mr Wallace also serves as the Chairman of the Advisory Board China for CPG Capital Partners Limited.

Former ASX listed directorships in the last three years: Nil

MANAGEMENT

CRAIG RANSLEY

EXECUTIVE CHAIRMAN

Refer to biographical information under Directors

DANNY McCARTHY

MANAGING DIRECTOR

Refer to biographical information under Directors

CELESTE VAN TONDER

CHIEF FINANCIAL OFFICER

Celeste van Tonder is a chartered accountant with over 10 years of professional experience in mining finance and business development.

Ms van Tonder joined the TerraCom Group following the acquisition of Universal Coal plc where she held the role of Chief Financial Officer for over 3 years. Prior to joining Universal Coal, Ms van Tonder held the group business development and investor relations manager position at Coal of Africa (now MC Mining), an Austr alian coal exploration and development company listed on the Australian Securities Exchange, Johannesburg Stock Exchange and the Alternative Investment Market. Ms van Tonder is responsible for all financial and commercial facets of the business and is an integral part of the management team responsible for returning shareholder value.

MEGAN ETCELL

COMPANY SECRETARY, EXECUTIVE GENERAL MANAGER CORPORATE AFFAIRS

Megan Etcell holds a Bachelor of Commerce Degree from the University of Newcastle and is a qualified Chartered Accountant.

Ms Etcell joined TerraCom in November 2019 as Company Secretary and started in the role of Executive General Manager Corporate Affairs in September 2020. Megan looks after all Corporate regulatory, legal and governance, investor and stakeholder relations and administrative matters.

Ms Etcell has held senior roles within the coal mining industry working for NuCoal Resources Limited (ASX NCR) in various capacities including Chief Financial Officer and Company Secretary. Prior to joining NuCoal Ms Etcell worked for, PriceWaterhouseCoopers where she specialised in assurance services.

NATHAN BOOM

CHIEF COMMERCIAL OFFICER

Nathan Boom holds a Bachelor of Commerce (Accounting) from University of Wollongong, and is a qualified Chartered Accountant with a strong resources sector background.

His 14-year career working at large multinationals such as Xstrata Coal and Tenova Delkor has provided him with extensive exposure in business restructuring and associated implementation of recovery plans also leading finance and commercial aspects of the business.

Mr Boom has led business development projects and re-financing packages with banking consortium's, as well as has substantial experience in financial system implementation and integration.

Mr Boom joined TerraCom in 2015, was appointed Company Secretary in January 2016 and Chief Financial Officer in March 2017.

DIRECTOR'S INTERESTS

As at the date of this report, the interest of each director in the ordinary shares of the Company, as notified by the directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001 (Cth)* (the Act) is as follows:

Directors' interests	Ordinary shares Direct interest	Ordinary shares Indirect interest	Options over Ordinary Shares Direct interest [6]	Options over Ordinary Shares Direct interest [7]	Total
C Ransley [1] [5]	4,244	27,857,619	–	–	**27,861,863**
D McCarthy [5]	1,000	–	–	–	**1,000**
M Hunter [2]	–	1,592,309	–	–	**1,592,309**
S Kyriakou [3] [5]	–	–	–	–	**–**
G Lewis [4] [5]	–	847,615	–	–	**847,615**
C Lyons	–	–	–	–	**–**

[1] *shares held indirectly via Springsure Investments Pty Ltd (director and shareholder) and Rainbow Max Limited as trustee for Rainbow Max Unit Trust (unitholder).*

[2] *shares held indirectly via M&M Hunter Pty Ltd (director) as trustee for the Hunter Family Superannuation Fund (beneficiary) and Rivendell Capital Pty Limited (director and shareholder).*

[3] *appointed 7 September 2020. Mr Kyriakou is a director of Rainbow Max Limited which is trustee of Rainbow Max Unit Trust.*

[4] *shares held indirectly via Baysoni Pty Ltd (director and shareholder) as trustee for the Lewis Family Trust and Lewis Superannuation Fund A/C (beneficiary) and Rainbow Max Limited as trustee for Rainbow Max Unit Trust (unitholder).*

[5] *Rainbow Max Limited, as trustee of Rainbow Max Limited Trust, holds 70,359,573 fully paid ordinary shares in the Company. Mr Ransley, Mr McCarthy and Mr Lewis are unitholders of the Trust. Mr Kyriakou is a director of Rainbow Max Limited which is trustee of Rainbow Max Unit Trust.*

[6] *relates to options awarded to directors, as approved at the Company's 2018 Annual General Meeting held on 27 November 2018. These options were issued to Directors on 26 November 2019 and cancelled by the board during FY2021 following agreement by option holders.*

[7] *relates to options awarded to directors, as approved at the Company's 2019 Annual General Meeting held on 19 November 2019.These options were never issued as the required performance conditions were not met.*

NBC Colliery

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board*		Remuneration Committee		Audit Committee		HSEC Committee #	
	Attended [A]	**Held [B]**	**Attended [A]**	**Held [B]**	**Attended [A]**	**Held [B]**	**Attended [A]**	**Held [B]**
W King [1]	10	10	1	1	–	–	–	–
C Ransley	12	12	2	2	–	–	–	–
D McCarthy [2]	2	2	–	–	–	–	1	1
P Anderson [3]	1	1	–	–	–	–	–	–
M Hunter	12	12	–	–	5	5	–	–
S Kyriakou [4]	9	9	–	–	2	2	1	1
G Lewis	11	12	2	2	2	2	1	1
C Lyons [5]	11	11	1	1	2	2	–	–
J Soorley [6]	1	1	–	–	1	1	–	–
C Wallace [7]	1	1	–	–	1	1	–	–

* *TerraCom does not have a fully constituted Nominations Committee, however, as and when required the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities.*

HSEC Committee was formed 1 June 2021

(A) *Number of meetings attended*

(B) *Number of meetings held during the time the Director held office or was a member of the committee during the period.*

(1) *resigned 31 March 2021*

(2) *appointed to the role of Managing Director effective 1 April 2021*

(3) *resigned 31 July 2020*

(4) *appointed 7 September 2020*

(5) *appointed 14 July 2020*

(6) *resigned 13 July 2020*

(7) *resigned 22 August 2020*

OPERATING AND FINANCIAL REVIEW

OPERATIONAL SUMMARY

Production overview: Year to Date for 12 months ending 30 June 2021

	2021 YTD (kt)	2020 YTD (kt)*	Change (kt)	Change (%)
PRODUCTION: YEAR TO DATE				
Managed Tonnes (Continuing Operations)				
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)
Equity Tonnes (Continuing Operations)				
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)

** Assumes Universal owned for the entire financial year.*

 # Excludes intercompany sales which are eliminated on consolidation

	MANAGED TONNES				EQUITY TONNES			
	ROM Tonnes		Coal Sales		ROM Tonnes		Coal Sales	
	2021FY (kt)	2020FY (kt)*	2021FY (kt)	2020FY (kt)*	2021FY (kt)	2020FY (kt)*	2021FY (kt)	2020FY (kt)*
Australia	**2,555**	3,052	**2,247**	2,589	**2,555**	3,052	**2,247**	2,589
Blair Athol	**2,555**	3,052	**2,247**	2,589	**2,555**	3,052	**2,247**	2,589
South Africa	**10,677**	11,494	**7,334**	7,389	**5,478**	6,300	**3,789**	4,036
Kangala	**1,152**	3,109	**920**	1,935	**813**	2,192	**649**	1,364
NCC	**4,283**	3,955	**2,419**	2,620	**2,099**	1,938	**1,185**	1,284
NBC	**3,692**	3,929	**2,667**	2,578	**1,809**	1,925	**1,306**	1,263
Ubuntu	**1,550**	501	**1,328**	256	**757**	245	**649**	125
Total	**13,232**	14,546	**9,581**	9,978	**8,033**	9,352	**6,036**	6,625

** Assumes Universal Coal plc owned for the entire financial year.*

Note: Managed tonnes disclosed throughout this report represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines are 49%. Equity tonnes disclosed throughout this report represents equity tonnes, being the attributable tonnes to TerraCom's equity ownership.

FINANCIAL SUMMARY

Financial summary for the Group:

- EDITDA of $17.0 million, increase of 349%.
- Loss after income tax of $94.6 million, an improvement of approximately $62 million.
- Total comprehensive loss of $65.9 million, an improvement of approximately $94 million.
- Operating cash flow of $5.8 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 EDITDA, its net loss after income tax, and total comprehensive loss:

	2021 Financial Year $000	2020 Financial Year $000
Revenue	**549,007**	316,858
Loss before income tax and significant items	**(72,548)**	55,677
Significant items		
• impairment of Australian exploration assets	**(33,576)**	–
• net gain on revaluation of investment in associate	**–**	3,190
• disposal of Mongolia, discontinued operation	**–**	(116,033)
Loss before income tax	**(106,124)**	(57,136)
Earnings before interest, tax, depreciation, amortisation, disposals and impairment	**16,993**	3,786
• impairment of Australian exploration assets	**(33,576)**	–
• net finance expenses	**(45,569)**	(32,764)
• depreciation and amortisation expense	**(42,926)**	(28,158)
• loss on disposal of fixed assets	**(1,046)**	–
• disposal of Mongolia, discontinued operation	**–**	(116,033)
• income tax/benefit	**11,558**	16,494
Loss after income tax	**(94,566)**	(156,675)
• Other comprehensive income/(loss)	**28,691**	(3,430)
Total comprehensive loss	**(65,875)**	(160,105)

Australia production overview: quarter by quarter for 12 months ending 30 June 2021

	Quarter 1 September 2020	Quarter 2 December 2020	Quarter 3 March 2021	Quarter 4 June 2021	2021 Financial Year
Run of Mine Coal mined (tonnes)	740	550	645	619	**2,555**
Strip Ratio	9.7	8.1	9.6	7.1	**7.8**
Saleable Production (tonnes)	608	573	514	534	**2,229**
Sales (tonnes)	620	585	532	510	**2,247**
Inventory (tonnes)	134	162	101	160	**160**

Australia production: year to date comparison for 12 months ending 30 June 2021

	2021 Financial Year	2020 Financial Year	CHANGE	CHANGE %
Run of Mine Coal mined (tonnes)	**2,555**	3,052	(497)	(16)
Strip Ratio	**7.8**	8.5	(0.7)	(8)
Saleable Production (tonnes)	**2,229**	2,499	(270)	(11)
Sales (tonnes)	**2,247**	2,589	(342)	(13)
Inventory (tonnes)	**160**	160	0	0

South Africa production overview (managed tonnes): quarter by quarter for 12 months ending 30 June 2021

	Quarter 1 September 2020	Quarter 2 December 2020	Quarter 3 March 2021	Quarter 4 June 2021	2021 Financial Year
Run of Mine Coal mined (tonnes)	2,877	2,638	2,508	2,654	**10,677**
Strip Ratio	2.3	2.1	2.2	2.4	**2.2**
Saleable Production (tonnes)	1,767	1,979	1,823	1,407	**6,976**
Sales (tonnes)	1,780	1,896	1,696	1,562	**6,933**
Inventory (tonnes)	848	709	506	518	**518**

South Africa production (managed tonnes): year to date comparison for 12 months ending 30 June 2021

	2021 Financial Year	2020 Financial Year *	CHANGE	CHANGE %
Run of Mine Coal mined (tonnes)	**10,677**	11,494	(817)	(7.1)
Strip Ratio	**2.2**	2.2	0.0	0.0
Saleable Production (tonnes)	**6,976**	7,934	(958)	(12)
Sales (tonnes)	**6,933**	7,389	(456)	(6)
Inventory (tonnes)	**518**	757	(239)	(32)

** Assumes Universal Coal plc owned for the entire financial year.*

Note: tables for South Africa above excludes intercompany sales which are eliminated on consolidation.

AUSTRALIAN BUSINESS UNIT OPERATIONS

Blair Athol

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).

FINANCIAL PERFORMANCE SUMMARY

The Australian Business Unit financial performance can be summarised as follows:

		Year Ended 30 June 2021	Year Ended 30 June 2020	Variance	Variance (%)
Revenue	$'000	**159,237**	221,546	(62,309)	
	$/Sold Tonne	**70.9**	85.6	(14.7)	(17%)
Costs [1]	$'000	**145,098**	191,586	46,494	
	$/Sold Tonne	**64.6**	74.0	9.4	13%
EBITDA	$'000	**3,403**	7,694	(4,291)	
	$/Sold Tonne	**1.5**	3.0	(1.5)	(50%)

[1] reflects ongoing operational costs and excludes one off items in current year and prior year.

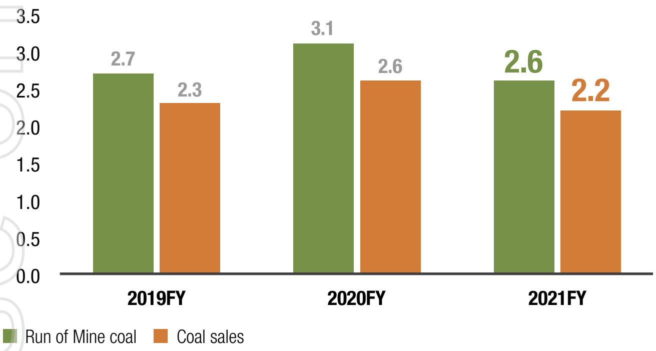
The revenue per tonne at Blair Athol was significantly impacted by two items:

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.

BLAIR ATHOL THERMAL COAL MINE

Blair Athol production



THERMAL COAL	2.5Mtpa ROM
EXPORT	2Mtpa export, primarily to Japan, South Korea and Indian sponge iron markets. Exported through Dalrymple Bary Coal Terminal
OWNERSHIP	100% ownership, Owner Operator
OPEN PIT	Dragline and Dozers for waste removal Coal mining by truck and shovel. Life of mine strip ratio of 10:1
LoM	Approximately 10 years

MANAGED TONNES

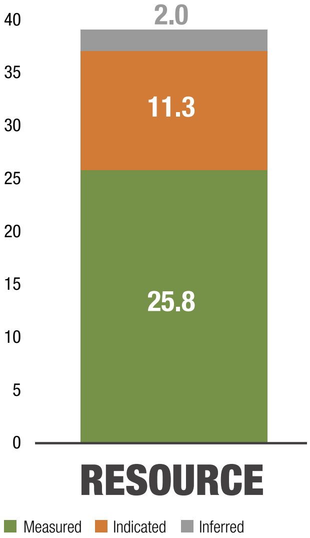
BA	Quarter 1 Sep-20	Quarter 2 Dec-20	Quarter 3 Mar-21	Quarter 4 Jun-21	2021 Financial Year	2020 Financial Year
Run of Mine Coal mined (tonnes)	740	550	645	619	**2,555**	3,052
Strip Ratio	9.7	8.1	9.6	7.1	**7.8**	8.5
Saleable Production (tonnes)	608	573	514	534	**2,229**	2,499
Sales (tonnes)	620	585	532	510	**2,247**	2,589
Inventory (tonnes)	134	162	101	160	**160**	160

Blair Athol Resources and Reserves

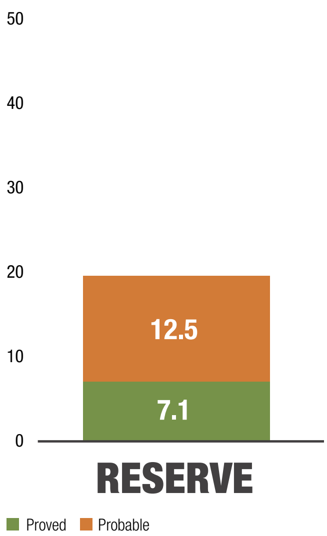
	Mt
Resource	
Measured	25.8
Indicated	11.3
Inferred	2.0
Total	39.1
Recoverable Reserve	
Proved	8.7
Probable	16.1
Total	24.8
Marketable Reserve	
Proved	7.1
Probable	12.5
Total #	19.5

due to rounding of reported figures not all totals may reconcile to the sum of the reported components.

JORC Resources



JORC Marketable Reserves



TRANSITION TO OWNER OPERATOR

The Blair Athol (BA) coal mine was successfully transitioned from contractor to an owner operator model at the end of July 2020 with a reduced coal sales production profile post transition of 2Mtpa projected for the operation. However, with the additional efficiencies recognised, as well as the dedication of the TerraCom staff and workforce, the mine consistently delivered above expectation, achieving total coal sales for the 2021 financial year of 2.2 Mt, an over achievement of 247,000 tonnes or 12%.

Under the owner operator model, immediate and significant cost optimisation projects were implemented, resulting in a 18% reduction to Free on Board (FOB) operating costs. Excluding one-off items, BA delivered a year-on-year operating cost reduction of $9.4 per tonne, resulting in a 2021 financial year FOB cost of $64.6 per tonne, against a 2020 financial year cost of $74.0 per tonne.

The owner operator model has been a success for the BA operation and the Company looks forward to continuing to deliver superior results.

SAFETY

We value safety and have an inclusive and respectful culture within our business and the wellbeing of our people is key. Our approach is simple – safety is a mindset and an attitude for everyone which is instilled in all parts of our organisation, forms part of our overall business culture and is foremost in everything we do.

The new operational model at BA provided the platform for the Company to implement a revised Safety and Health Management System during the reporting period. Since implementation, compliance and overall adherence to the system by all BA staff and contractors has been positive and this has been reflected with a reduction in high potential incident performance and frequency rates.

Our continued response to COVID-19 remained a significant part of our health and safety activities throughout the year. Our proactive approach to managing the risks of COVID-19 ensured we kept our people safe and well while supporting our local community and maintaining safe and reliable operations.

The LTIFR remained consistent for the entire year at 0.00, however the TRIFR increased to 13.8, up from 6.9 at June 2020, representing the lower exposure hours with reduced workforce.

ENVIRONMENT, REHABILITATION AND COMMUNITY

Throughout the course of the year, the Company continued with progressive placement and shaping of mine spoil which is a fundamental element of our rehabilitation obligation. The progressive rehabilitation will effectively reduce the rehabilitation requirements of the mine at the end of the mine life.

BA continued to support the local region with a number of ongoing community support efforts throughout the year. The provision of housing to high school students in the Blair Athol area and the provision of Company offices for use by a local Doctor provide much needed support for the community.

PRODUCTION

Total ROM Production for the year was 2.6Mt and total coal sales achieved for the full financial year were 2.2Mt, a reduction compared to the prior 2020FY period of (ROM Production: 3.05Mt) and (Coal Sales: 2.6Mt) respectively.

While both ROM and coal sales were lower than the prior reporting period, the BA mine achieved well above initial forecasts following the transition to owner operator at the end of July 2020, which had a coal sales production profile of 2Mt per annum.

Post transition, the main focus for the BA operation was on reliable coal delivery and sustainable cost reductions. The operation has delivered significant results in these areas with the average Free on Board (FOB) operating cost base for the full financial year to 30 June 2021 at A$64.6 per sold tonne, which represents at 13% reduction from the previous full financial year.

With a reduced and sustained cost base, BA is now able to capitalise on market upturns, which are currently being experienced with respect to seaborne coal pricing.

Blair Athol

AUSTRALIAN BUSINESS UNIT PROJECTS

HUGHENDEN PROJECT

Hughenden Project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages. The resource is at moderate to deep mining depth. The Project is located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

PROJECT NAME	Hughenden Project
JORC 2012 RESOURCE	1,209Mt 133Mt Indicated; 1,076Mt Inferred
COAL TYPE & QUALITY	Thermal
LOCATION	Galilee Basin Hughenden, Queensland
TENEMENTS	EPC 1300, EPC 1394, EPC 1477, EPC 1478, EPC 2049, EPC 1641
OWNERSHIP	FTB (QLD) Pty Ltd a wholly owned Subsidiary of TerraCom Limited
AREA	6,423.2km²

PROJECT NAME	Clyde Park Project
JORC 2004 RESOURCE	728Mt 51Mt Indicated; 677Mt Inferred
COAL TYPE & QUALITY	Thermal
LOCATION	North Eastern Galilee Basin Hughenden, Queensland
TENEMENTS	EPC 1260
OWNERSHIP	EPC 1260 wholly owned by Clyde Park Coal Pty Ltd. TerraCom Limited owns 64.4% of Clyde Park Coal Pty Ltd.
AREA	132km²

CLYDE PARK PROJECT

TerraCom Limited has drilled 36 boreholes within EPC 1260 as part of the Clyde Park exploration program and of these, 26 boreholes have been included in the geological model.

Similar to the Hughenden project, the Clyde Park Project is located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

PENTLAND PROJECT

The Pentland Project will benefit from the same strategic opportunities as its sister projects at Hughenden and Clyde Park with its location relative to existing infrastructure.

An exploration scout drilling program is planned. The objective of this drill program is to further explore coal occurrences within the project area targeting Jurassic Ronlow Beds and Permian Betts Creek Beds within the Galilee Basin.

PROJECT NAME	Pentland Project
JORC	Nil calculated to date
COAL TYPE & QUALITY	Thermal
LOCATION	Northern end of the Eromanda and Galilee Basins Pentland, Queensland
TENEMENTS	EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1964
OWNERSHIP	Orion Mining Pty Ltd, a wholly owned Subsidiary of TerraCom Limited
AREA	2,492km^2

PROJECT NAME	Springsure Project
JORC 2004 RESOURCE	191Mt 43Mt Indicated; 148Mt Inferred
COAL TYPE & QUALITY	PCI Coal Thermal Coal
LOCATION	Southern Bowen Basin Springsure, Queensland
TENEMENTS	MDL 3002, EPC 1674
OWNERSHIP	Wholly owned by Springsure Mining Pty Ltd. TerraCom Limited owns 90.07% of Springsure Mining Pty Ltd.
AREA	31km^2

SPRINGSURE PROJECT

The Springsure Project (MDL 3002 and EPC 1674) area covers a total area of 31km^2 and is made up of 11 sub-blocks approximately 8km north of the town of Springsure on the Gregory Highway in the Springsure Region. The Springsure Project is 100% owned by Springsure Mining Pty Ltd, of which TerraCom Limited is a 90.07% shareholder.

The Project area occurs on strike with Minerva Coal Pty Ltd's Minerva South and Minerva No.1 mines which are located approximately 3km to the north. The Minerva mine is a multi-seam mine targeting high quality thermal coal resources within the Reids Dome Beds coal measures.

FERNLEE PROJECT (ADJOINING SPRINGSURE PROJECT)

EPC1103 – Fernlee Project adjoins the EPC1674/ MDL3002 – Springsure Project and is seen as a key strategic transaction for TerraCom providing the potential to expand the Springsure Project MDL area to the East and North East.

PROJECT NAME	Fernlee Project
JORC	Nil calculated to date
COAL TYPE & QUALITY	Thermal
LOCATION	Southern Bowen Basin Springsure, Queensland
TENEMENTS	EPC 1103
OWNERSHIP	Sierra Coal Pty Ltd, a wholly owned subsidiary of TerraCom Limited
AREA	246km^2

SOUTH AFRICAN BUSINESS UNIT OPERATIONS

Kangala

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.

Note: Operating results for the comparative period disclosed on pages 36 to 40 assumes 100% ownership of Universal Coal Plc, unless otherwise stated.

FINANCIAL PERFORMANCE SUMMARY

The South African Business Unit financial performance can be summarised as follows:

		Year Ended 30 June 2021	Year Ended 30 June 2020 [1]	Variance	Variance (%)
Revenue	$'000	**389,770**	95,312	294,458	
	$/Sold Tonne	**56.2**	52.2	4.0	8%
Costs	$'000	**354,850**	89,858	(264,991)	
	$/Sold Tonne	**51.2**	49.2	(2.0)	(4%)
EBITDA	$'000	**34,920**	5,453	29,467	
	$/Sold Tonne	**5.0**	2.9	2.1	72%

[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.

MANAGED TONNES

Kangala	Quarter 1 Sep-20	Quarter 2 Dec-20	Quarter 3 Mar-21	Quarter 4 Jun-21	2021 Financial Year	2020 Financial Year
Run of Mine Coal mined (tonnes)	635	391	126	–	**1,153**	3,109
Strip Ratio	1.4	1.4	–	–	**1.3**	1.1
Saleable Production (tonnes)	363	444	128	–	**935**	1,973
Sales (tonnes)	431	332	157	–	**920**	1,935
Inventory (tonnes)	125	149	––	–	**–**	190

KANGALA COLLIERY

Kangala Colliery is located in the Emalahleni area, which is approximately 65km from Johannesburg in the Mpumalanga province of South Africa and consists of the Wolwenfontein and Middelbult Projects.

The Wolwenfontein pit officially reached the end of its resource life with last ROM coal mined in January 2021. Whilst Kangala has a committed 2Mtpa of Coal Supply Agreement (CSA) with Eskom, until 2023, the CSA reached its energy content allowable 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 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 Kangala colliery has been placed into care and maintenance, effective 1 July 2021, to minimise costs.

The Middelbult project has a registered prospecting right and is in the process of obtaining all of the required mining licenses.

SAFETY

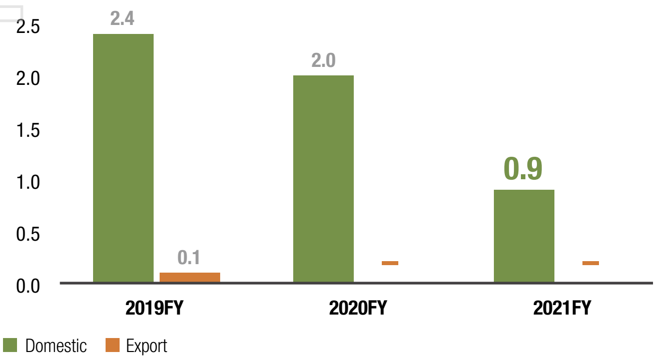
The Kangala colliery has consistently delivered exceptional safety results during its years in production. During 2021FY the colliery reported zero LTI's and zero HPI's.

ENVIRONMENT, REHABILITATION AND COMMUNITY

The Kangala colliery received the Water Use License for the new discard facility during FY2021 and received its certification for ISO 14001:2015 and ISO 45001:2018 in October 2020.

Whilst operational activity reduced towards the end of the FY21, the colliery remained compliant with all environmental monitoring, in accordance with its Environmental Management Plan.

Kangala coal sales



STATUS	End of resource life
OWNERSHIP	70.5% with operational control
LOM	Extension via adjacent Eloff project

Kangala Colliery has identified education as a key area that will change the lives of the youth in our host communities and therefore continues to offer skills training programs, internships, learnerships, funding for higher education and donations to local schools. The colliery awarded 10 new comprehensive bursaries to university students, mainly in core mining related fields including geology, mechanical, electrical, and mining engineering, mine surveying, and in finance. In addition, the colliery provided training to over 60 community members in the areas of ADT training, drivers licences, coal preparation training and basic shoe making.

PRODUCTION

As a result of the colliery reaching the end of its resource life in January 2021, 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.

PERSONNEL

Due to reduced activity at the colliery the headcount was significantly reduced as at 30 June 2021 with only 157 employees on site, being 18 employees, 5 onsite learners and 134 contractors. Following the colliery being placed into care and maintenance from 1 July 2021, all contractors have either been terminated or had their services suspended.

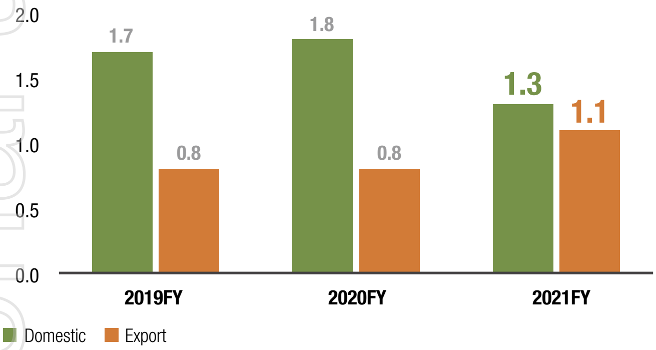
Kangala

NEW CLYDESDALE COLLIERY

New Clydesdale Colliery is located in the Kriel district, approximately 149km from Johannesburg and consists of the Roodekop and Diepspruit Projects.

The New Clydesdale Colliery (NCC) is located in the Kriel district, within the Mpumalanga province in South Africa located approximately 149km from Johannesburg and consists of the Roodekop and Diepspruit and Diepspruit West projects. NCC is a multi-product open cast and underground mine with the ability to produce domestic and export quality product. NCC has a 1.6 Mt per annum off-take agreement with Eskom, South Africa's largest power generator, until 2024 and an export offtake for 650Kt per annum with a global trader.

New Clydesdale Colliery coal sales



THERMAL COAL	4.6Mtpa ROM
DOMESTIC	1.6Mtpa to 2024, fixed price
EXPORT	AP14 Index linked 0fftake agreement of 656ktpa to 2023
ORE RESERVES	7.7Mt
OWNERSHIP	49% with operational control
UNDERGROUND	Room and pillar
SEAM PRODUCTION	Three sections
OPEN PIT	Truck and shovel operation ~3:1 strip ratio

SAFETY

NCC experienced a turbulent year of safety including a regrettable fatality of a contractor employee which occurred on 6 May 2021. 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. The colliery reported 6 LTIs (FY2020: 3 LTIs) and 14 HPIs during the reporting period. NCC has reported a total of 165 Fatality Free Progressive Shifts to the end of June 2021.

ENVIRONMENT, REHABILITATION AND COMMUNITY

NCC conducted concurrent rehabilitation for the Roodekop and Diepspruit pits during FY21. NCC has successfully updated the Rehabilitation Financial provision as per NEMA: GNR1147 regulations and finalised the Roodekop and Diepspruit rehabilitation designs. NCC received its ISO 14001:2015 certification during FY2021 and successfully completed the year without any reportable environmental incidents. During the period the NCC initiated the environment authorisation process that will extend the life of mine by an addtional10 years.

PRODUCTION

During the financial year the colliery produced 4.3Mt of ROM (FY2020: 4.0Mt) and achieved a total of 2.4Mt coal sales (FY2020: 2.6Mt). Whilst reduced volume requests from Eskom were experienced during August 2020 to February 2021, demand levels to Eskom stabilised and the Company delivered improved results for the remainder of the year. In total, coal sales to Eskom were 300Kt below the contracted offtake volumes for the 2021 financial year.

Whilst offtake to Eskom was lower than expected, the colliery was able to achieve its RB1 offtake volumes for the reporting period and RB3 coal sales remained consistent to the prior financial reporting period with all of the RB3 product being sold to a local independent power station during the financial year.

PERSONNEL

The total headcount at NCC, including contractors, at the end of June 2021 was 1,792 of which 51 people are directly employed by the colliery and 29 onsite learners.

MANAGED TONNES

NCC	Quarter 1 Sep-20	Quarter 2 Dec-20	Quarter 3 Mar-21	Quarter 4 Jun-21	2021 Financial Year	2020 Financial Year
Run of Mine Coal mined (tonnes)	1,101	1,110	1,019	1,053	**4,283**	3,955
Strip Ratio	2.1	2.0	2.5	2.5	**2.3**	2.3
Saleable Production (tonnes)	627	643	619	582	**2,471**	2,908
Sales (tonnes)	583	633	577	626	**2,419**	2,620
Inventory (tonnes)	160	170	130	188	**188**	95

NORTH BLOCK COMPLEX COLLIERY

The North Block Colliery (NBC) is located in Belfast in the Mpumalanga province of South Africa and was acquired from Exxaro on 1 November 2018. The acquisition was mainly focused on the greenfield Paardeplaats project which was developed during FY2020.

During FY2021 the Company proceeded with the modification of the NBC existing crush and screen circuit, to facilitate both the production of the export quality coal from NBC and to enable the mine to supply higher grade Eskom product as required under the existing Coal Supply Agreement (CSA) for the operation.

NBC achieved exceptional production results during the period under review. The operation has continued to ramp up capacity in order to achieve a steady state production of 450Kt ROM per month and during June 2021, ROM production of 428Kt was achieved with 293Kt of sales recorded.

NBC achieved a significant milestone during the financial year with its first full shipment of thermal coal sailing in March 2021. Since that time, additional export sales have occurred and NBC has solidified itself as a reliable supplier of high quality export thermal coal to market. The newly established export path to market for NBC provides the platform for further growth opportunities for the Company.

SAFETY

NBC achieved satisfactory safety results during FY2021 with 2 LTI incidents reported (LTI: 1 in FY2020). Total fatality free shift since inception (1 November 2018) totals 42,302.

ENVIRONMENT, REHABILITATION AND COMMUNITY

The NBC completed all the backfilling on the Eerstelling mining area during FY21 and is ready to commence seeding in the next raining season.

The Environmental Authorisation Application for the Glisa siding was submitted on 25 June 2021 with expected approval in Q3 of FY22.

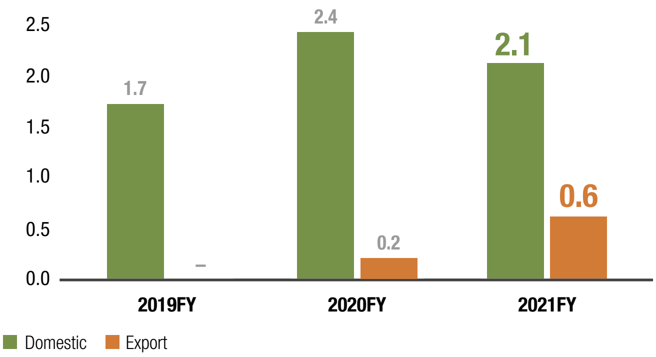
PRODUCTION

A total of 2.7Mt of coal was sold to market during FY2021 (FY2020: 2.57Mt). Total coal sold to Eskom was 2.1MT, an amount greater than the required offtake volumes as the colliery was able to divert some of its RB3 product to Eskom during the last few months of the financial year. With respect to export tonnes, 227Kt of RB1 product was delivered to market and 280Kt of RB3 product was realised following the sale of two export vessels which sailed from Maputo during the year.

PERSONNEL

The total headcount at NBC, including contractors, at the end of June 2021 was 1,141 of which 35 people are directly employed by the colliery, and 9 on-site learners.

North Block Complex coal sales



THERMAL COAL	5.2Mtpa ROM
DOMESTIC	2.4Mtpa to 2030, fixed price
ORE RESERVES	44.5Mt, current operations fully regulated Paardeplaats Mining Right and S11 granted
OWNERSHIP	49% with operational control
OPEN PIT	Truck and shovel operation ~2.5:1 strip ratio going forward

MANAGED TONNES

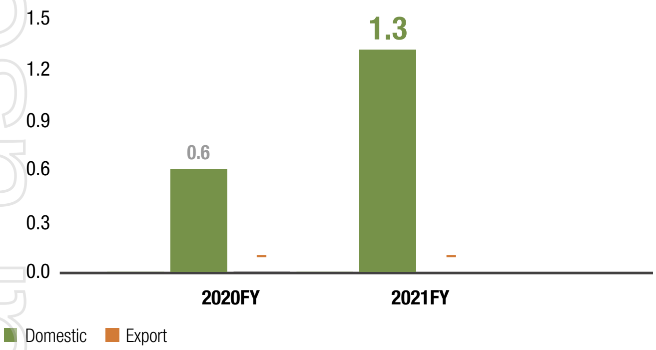
NBC	Quarter 1 Sep-20	Quarter 2 Dec-20	Quarter 3 Mar-21	Quarter 4 Jun-21	2021 Financial Year	2020 Financial Year
Run of Mine Coal mined (tonnes)	794	720	1,038	1,140	**3,692**	3,929
Strip Ratio	2.8	2.5	2.0	7.0	**2.4**	2.4
Saleable Production (tonnes)	520	470	691	781	**2,461**	2,719
Sales (tonnes)	550	532	677	908	**2,667**	2,578
Inventory (tonnes)	377	209	270	174	**174**	349

UBUNTU COLLIERY

The Ubuntu Colliery (Ubuntu) is located in the Emalahleni area, within the Mpumalanga province in South Africa and is approximately 25km from the Company's Kangala Colliery.

The development of Ubuntu commenced during FY2020 and reached steady state production in October 2020. Ubuntu has a committed Coal Supply Agreement (CSA) with Eskom for the annual supply of 1.2Mt of domestic thermal coal.

Ubuntu coal sales



THERMAL COAL	1.2Mtpa RoM
DOMESTIC	1.2Mtpa RoM to 2023, fixed price
JORC 2012 COMPLIANT RESOURCE	74.1Mt
OWNERSHIP	49% with operational control
OPEN PIT	Truck and shovel operation ~3:1 strip ratio Crush and screen blending operation
LoM	6 years

SAFETY

Ubuntu has had no LTI's since the commencement of development of the colliery, which occurred in FY2020. The colliery has reported 2,079 Fatality Free Progressive Shifts as at the end of June 2021.

ENVIRONMENT, REHABILITATION AND COMMUNITY

Since commencing in 2019, the Ubuntu colliery has taken a proactive approach in addressing the mining impacts on surrounding environmental habitats (i.e., wetlands, natural water bodies, etc.).

All the necessary actions required to achieve a sustainable environment are outlined and discussed in Ubuntu Colliery Environmental Management Programme (EMP) which is reviewed on a regular basis.

The Ubuntu colliery supported local communities during the COVID pandemic distributing food parcels, blankets and school uniforms to the all the nearby communities.

The colliery also renovated the community youth centre during the year and provided training to over 100 community members in the areas of blasting, welding, drivers licences and basic IT.

PRODUCTION

Due to the COVID-19 pandemic and associated economic lock down arrangements in South Africa during the financial year, the volumes under the Eskom CSA were reduced. In total, Ubuntu delivered 1.03Mt of coal to Eskom during the financial year, 68Kt less than planned.

Eskom demand increased from March 2021, which allowed the colliery to make up some volumes and coal sales averaged over 100Kt month for the last 4 months of the reporting period.

PERSONNEL

The total headcount at Ubuntu, including contractors, at the end of June 2021 was 689 of which 30 people are directly employed by the colliery, and 6 onsite learners.

MANAGED TONNES

UBU	Quarter 1 Sep-20	Quarter 2 Dec-20	Quarter 3 Mar-21	Quarter 4 Jun-21	2021 Financial Year	2020 Financial Year
Run of Mine Coal mined (tonnes)	347	417	325	461	**1,550**	501
Strip Ratio	4.2	2.2	2.6	7.9	**2.6**	8.4
Saleable Production (tonnes)	258	422	385	338	**1,403**	333
Sales (tonnes)	217	399	284	428	**1,328**	256
Inventory (tonnes)	186	180	107	156	**156**	123

Ubuntu Colliery

PROJECTS SOUTH AFRICA

ELOFF PROJECT

The Eloff Project, situated directly adjacent to Kangala Colliery, provides an opportunity for Universal to consolidate the contiguous resource base with Kangala. The Kangala colliery officially reached the end of its resource life in January 2021. The extension of the Kangala complex is the development of the Eloff mining lease, which runs contiguously to the existing Kangala lease. The extension into Eloff is a low capex development due to the ability for Eloff to utilise the existing Kangala infrastructure (including the CHPP).

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

PROJECT NAME	Eloff
JORC 2012 COMPLIANT RESOURCE	528.3Mt resource (gross tonnes *in situ*). Resource in open pit areas only
COAL TYPE & QUALITY	Thermal
LOCATION	Contiguous to Kangala. Witbank Coalfield, Mpumalanga province, South Africa.
OPERATION	Open pit, truck and shovel
TENEMENTS	MP30/5/1/2/2/10169MR
OWNERSHIP	49%
AREA	8.168ha 6.146ha surface rights included
CURRENT LOM	20 years

ARNOT SOUTH*

Arnot South comprises a prospecting right over 15,000ha located some 50km north-east of New Clydesdale Colliery.

** Not currently owned by TerraCom*

Objectives post acquisition include:

- > DRILL OUT A MEASURED RESOURCE
- > COMPLETE FEASIBILITY STUDY
- > SECURE MINING RIGHT

PROJECT NAME	Arnot South
JORC	206.6Mt resource (gross tonnes *in situ*)
COAL TYPE & QUALITY	Thermal coal
LOCATION	Witbank Coalfield, Mpumalanga province, South Africa
TENEMENTS	MP30/5/1/1/2/360PR
OWNERSHIP	50% owned
AREA	15,532ha
CURRENT LOM	20 years

PROJECT NAME	Berenice/Cygnus
JORC 2012 COMPLIANT RESOURCE	1.35Bt Resource (gross tonnes in-situ)
COAL TYPE & QUALITY	Blend coking and thermal
LOCATION	Soutpansberg Coalfield, Limpopo province, South Africa
OPERATION	10Mtpa open cut operation viability confirmed
TENEMENTS	LP30/5/1/1/2/376PR LP30/5/1/1/2/1276PR
OWNERSHIP	50%
AREA	7.76ha – Berenice/12.30ha – Cygnus
CURRENT LOM	20 years

UNIVERSAL COAL DEVELOPMENT II (PTY) LTD (BERENICE PROJECT) AND UNIVERSAL COAL DEVELOPMENT V (PTY) LTD (CYGNUS PROJECT)

The Berenice and Cygnus projects are significant metallurgical coal assets adjacent to each other, located in the Soutpansberg coalfield of the Limpopo province of South Africa. The Berenice-Cygnus resource is in excess of 1.35 billion tonnes. Mining right applications for the Cygnus and Berenice projects were submitted and both Mining Rights were accepted, pending granting. Environmental authorisation for Berenice has been issued. Cygnus environmental impact assessment and water use license application has been commissioned.

Ubuntu Colliery

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 June 2021 $000	Year ended 30 June 2020 $000
Revenue	549,007	316,858
Costs of goods sold	(489,109)	(296,193)
Gross profit	59,898	20,665
Net gain on revaluation of investment in associate	–	3,190
Other expenses	(37,954)	(26,275)
Exploration tenement write-off	–	(854)
Share of (loss)/profit of associates	(5)	843
Net foreign exchange (loss)/gain	(4,946)	6,217
	16,993	3,786
Depreciation and amortisation	(42,926)	(28,158)
Impairment of Australian exploration assets	(33,576)	–
Loss on disposal of fixed assets	(1,046)	–
Net financial expense	(45,569)	(32,764)
Profit/(Loss) before income tax	(106,124)	(57,136)
Income tax benefit	11,558	16,494
Loss after income tax from discontinued operations	–	(116,033)
Loss after income tax	(94,566)	(156,675)
Other comprehensive income/(loss)	28,691	(3,430)
Total comprehensive loss	(65,875)	(160,105)

Total comprehensive loss for the period was $65.9 million. The loss after income tax for the period was $94.6 million, which consisted of major non-cash items, including:

- $42.9 million of depreciation and amortisation,
- $33.6 million impairment expense on the Group's Australian exploration assets,
- $4.9 million of net foreign exchange losses, and
- $1.0 million of losses recognized on disposal of fixed assets.

Had these items not been incurred the loss after income tax would have been $12.2 million and a total comprehensive profit of $16.5 million.

Ubuntu Colliery

OPERATING AND FINANCIAL REVIEW CONTINUED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2021 $000	As at 30 June 2020 Restated $000
Current assets	**104,503**	84,598
Non-current assets	**519,488**	516,173
Total assets	**623,991**	600,771
Current liabilities	**406,054**	331,249
Non-current liabilities	**245,442**	228,497
Total liabilities	**651,496**	559,746
Net assets	**(27,505)**	41,025
Equity	**(27,505)**	41,025

As at 30 June 2021 the Group had a net current liability deficiency of $301.6 million (30 June 2020: $246.7 million), with $249.5 million (or 83%) of this deficiency relating to repayment of Borrowings (Listed Euroclear Bond) due for repayment on 8 October 2021. In the event that the new refinance program is not settled by 8 October 2021, the Company, Note Trustee and Ordinary Noteholders will enact a restructured finance arrangement of the existing debt. This restructuring requires the principal and interest to be paid monthly, up to the facility's extended maturity date, being 31 December 2022, on commercial terms consistent with the existing facility (interest rate of 12.5% per annum, special interest of 0.75% of Blair Athol revenue). The monthly repayment quantum to be made is subject to an agreed cash sweep based on the Company's financial performance.

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 $27.5 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 $188.0 million.

Ubuntu Colliery

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2021 $000	Year ended 30 June 2020 $000
Net cash at beginning of the year	**10,108**	59,201
Net cash from operating activities	**5,789**	2,774
Net cash from investing activities	**(43,805)**	(44,506)
Net cash from financing activities	**39,273**	(6,717)
Effects of exchange rate changes on cash and cash equivalents	**(179)**	(644)
Net cash at end of year	**11,186**	10,108

The Group generated net cash from operating activities excluding net interest and tax of $25.8 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 million 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As announced to the ASX on 21 September 2021, the Company has obtained an extension of the Euroclear Bond maturity date to 8 October 2021. In the event the refinance program is not settled by 8 October 2021, then the Company, the Note Trustee and all ordinary noteholders will enact a restructured finance arrangement of the existing debt. This restructuring requires principal and interest to be repaid monthly up to the facility's extended maturity date, being 31 December 2022, on commercial terms consistent with the existing facility (Interest rate of 12.5% per annum, special interest of 0.75% of Blair Athol revenues). The monthly repayment quantum to be made is subject to an agreed cash sweep based on the Company's financial performance.

No other matter of 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The Group holds 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.

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 Company may be impacted. With employees in both Australia and South Africa, a pandemic outbreak among employees, in either location, has the potential to cause interruption to business operations which may result in loss.

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

DEVELOPMENT RISK

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

CASH FLOW RISK

The risk that the Group's operations are unable to generate sufficient cashflow to meet their operational commitments and debt funding repayments could have a negative effect 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.

COUNTRY RISKS

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

FINANCIAL INSTRUMENT RISK

Both the Company and consolidate entity are exposed to risks arising from financial instruments held and issued. These are discussed in note 34 of the financial statements.

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 beable to successfully transport these resources to commercially viable market or sell the resources to customers to achieve a commercial return.

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. 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 ad back-up data infrastructure. However, computer viruses, unauthorised access, cyber-attack and other similar disruptions may threaten the security of information and impact operational systems.

INFRASTRUCTURE RISKS

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

COUNTERPARTY RISK

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

CLIMATE CHANGE RISK

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

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

POLITICAL RISK

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

North Block Complex Colliery

OTHER INFORMATION

DIVIDENDS

No dividends have been paid, recommended or declared during the current financial year. A maiden dividend of 1 cent per fully paid ordinary share held was declared on 23 October 2019 and paid to shareholders on 13 November 2019. The dividend was unfranked and the total amount paid was $4,671,000.

SHARES UNDER OPTION

As at the date of this report, the following options were available to acquire shares in the Company or a controlled entity:

- As approved by shareholders at the 2019 AGM, the Company issued a convertible bond to Madison Pacific Trust Limited (with the initial noteholder being OCP Asia (Singapore) Pte. Limited) in the amount of US$20,000,000. The conversion price is AU$0.696 and the expiry of the bond is 3 years from the date of issue, being 24 December 2019.

SHARES FORFEITED OR LAPSED

The extinguished debt facilities with OCP Asia and others (Amortising Notes and Convertible Notes facilities) had 12,630,833 detachable warrants issued on 26 February 2016. These warrants were exercisable at the holder's option in exchange for fully paid ordinary shares in the Company at an exercise price of $0.262 (unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing Price and the Market Price) up until five years from the date of issue. The warrants expired on 26 February 2021 without being exercised by the holder.

On 27 November 2018, shareholders at the Company's AGM approved the issue of up to 647,777 options to all Directors who were in office at the date of the meeting. The unlisted ordinary share options were issued on 26 November 2019.

As at the date of this report all options to directors have been forfeited or cancelled, refer further details below relating to the initial vesting conditions and forfeiture/cancellation.

The vesting of these options was subject to

a) the director's continuous engagement with the Company from 1 July 2018 to 1 July 2021; and

b) the performance of TerraCom's share price in comparison to the ASX 200 from 1 July 2018 to 30 June 2019.

The earliest date the options could be converted to shares was 2 July 2021 and the expiry of the options was 27 November 2023, being five years from grant date.

Options totaling 182,062 were forfeited in FY2020 following the resignation of Mr Togoo and Mr Forrest. A further 412,901 were forfeited in FY2021 following the resignation of Mr King, Mr Anderson, Mr Soorley and Mr. Wallace. All remaining options (52,814) were cancelled by the board during FY2021 following agreement by option holder. On 20 March 2019, Mr Danny McCarthy and Mr Nathan Boom, were each awarded 400,000 options. These options awarded were subject to the same conditions as the options awarded to Directors on 27 November 2018. Like the remaining Director options, options to KMP were cancelled by the Board during FY2021 following agreement by option holders.

On 19 November 2019, shareholders at the Company's AGM approved the issue of up to 552,687 options to all Directors who were in office at the date of the meeting. On 19 November 2019 Executive KMP, Mr Danny McCarthy and Mr Nathan Boom were each awarded 540,541 and 360,360 options, respectively. These options awarded are subject to the same conditions as the options awarded to Directors on 19 November 2019. These options to Directors and Executive KMP were never issued as the required initial vesting conditions relating to performance of the TerraCom share price in comparison to the ASX200 from 1 July 2019 to 30 June 2020 were not met.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of TerraCom Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

No shares were issued on the exercise of options during the current financial year (2020: nil).

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the Directors and Executives of the company against a liability to the extent permitted by the Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

AUDITOR'S INDEPENDENCE DECLARATION

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

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.

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.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001 (Cth)*.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 7 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*.

The directors are of the opinion that the services as disclosed in Note 7 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001 (Cth)* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

There are no officers of the company who are former partners of Ernst & Young.

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Auditor's Independence Declaration to the Directors of TerraCom Limited

As lead auditor for the audit of the financial report of TerraCom Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ryan Fisk
Partner
7 October 2021

REMUNERATION REPORT

IN THIS SECTION

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REMUNERATION REPORT

The audited remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the Group in accordance with the Corporations Act 2001 (Cth) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth).

The remuneration report details the remuneration arrangements for the Group's key management personnel (KMP) during the financial year ended 30 June 2021.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group and other designated senior executives. During the year, KMP comprised the Executive Chairman, Managing Director (MD) and his direct management reports (collectively the Executive KMP) and the non-executive directors of the Company.

The remuneration report is tabled at the Annual General Meeting of the Company each year for shareholder approval. At the 2020 Annual General Meeting of shareholders held on 30 November 2020, the remuneration report received positive shareholder approval with a vote of 99.09% in favour. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The performance of the Group depends on the quality of both its Directors and Executive KMP and the Company's remuneration philosophy is to attract, motivate and retain high performing and high-quality personnel who will contribute to the Group's success.

The Group's remuneration framework is designed to align executive remuneration with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice. The following key criteria are considered by the Board in setting the remuneration framework to achieve good governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

A key element of the remuneration framework is to enhance the interests of both shareholders and KMP.

KMP interests	Shareholder interests
• rewarding capability and experience • reflecting competitive reward for contribution to growth in shareholder wealth • providing a clear structure for earning rewards	• economic profit as a core component of plan design • focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value • attracting and retaining high calibre executives

2. ROLE OF THE REMUNERATION COMMITTEE

The Board has established a Remuneration Committee to focus specifically on appropriate procedures and guidelines in relation to the remuneration of the Executive Chairman, Managing Director, other executive KMP and Non-executive Directors.

The Remuneration Committee is primarily responsible for reviewing and making recommendations to the Board for:

- the remuneration structure of the Group;
- the remuneration arrangements for the Executive Chairman, Managing Director and other Executive KMP;
- the terms and conditions of short-term and long-term incentives for the Executive Chairman, Managing Director and other Executive KMP (including setting short-term incentives); and
- the remuneration to be paid to non-executive Directors.

The objective of the Committee is to ensure that the remuneration framework adopted by the Group is both fair and competitive and aligned with the long-term interests of the Group. In doing this, the Remuneration Committee may seek advice from independent expert remuneration consultants where applicable.

During the 2021 financial year no remuneration experts were engaged by the Remuneration Committee.

3. DETAILS OF REMUNERATION

NON-EXECUTIVE DIRECTOR REMUNERATION

a) Non-executive KMP

The table below shows non-executive KMP during FY21.

Name	Role held during FY21, including committee memberships
W King AO (resigned 31 March 2021)	Non-executive Chairman Member of Remuneration Committee
P Anderson (resigned 31 July 2020)	Non-executive Director Member of Remuneration Committee Member of Audit Committee
M Hunter (appointed 18 January 2018)	Non-executive Director Member of Audit Committee
S Kyriakou (appointed 7 September 2020)	Non-executive Director Member of Audit Committee
G Lewis (appointed 23 December 2019)	Non-executive Director Member of Audit Committee August 2020 to October 2020 Member of HSEC Committee
C Lyons (appointed 14 July 2020)	Non-executive Director Member of Audit Committee from November 2020 Member of Remuneration Committee from May 2021
J Soorley (resigned 13 July 2020)	Non-executive Director Member of Audit Committee
C Wallace (resigned 22 August 2020)	Non-executive Director Member of Audit Committee

b) Setting non-executive director fees

Fees and payments to non-executive directors reflect the demands and responsibilities of the role and are designed to ensure that the Company can attract and retain suitable qualified and experienced non-executive directors.

Although there is no stipulated minimum shareholding for non-executive directors, the Company encourages all directors to hold shares. Non-executive directors are reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or in connection with the business of the Company.

Non-executive director fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive director fees and payments are appropriate and in line with the market.

Fees for the Chairman are determined independently to the fees for other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive director remuneration pool be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 19 November 2019, where shareholders approved a maximum aggregate remuneration of $1,250,000 per annum, excluding long-term incentive options, which are approved by shareholders as and when required.

c) Current non-executive director fee remuneration

An internal review of non-executive director remuneration was undertaken during FY2021 to recalibrate fees and payments to non-executive directors following the significant changes to the composition of the board between June 2020 and December 2020.

The fee levels adopted by the Board effective 1 November 2020 are outlined below, noting that the fees are per annum and include mandatory statutory superannuation contributions. The fees apply to non-executive directors only.

	Chairman	Member
Board	$294,000 [(1)]	$75,000
Board Committees • Audit Committee • Remuneration Committee • HSEC Committee	$30,000	$15,000
Other subsidiary board fees, as applicable	N/A	$15,000

Notes:

(1) *Amount reflects historical agreed salary per annum for Mr W King and comprises:*

- *Fixed salary $144,000*
- *Ordinary shares to the value of $150,000, subject to shareholder approval.*

Following the resignation of Mr King on 31 March 2021, the Chair position is now held by Mr Ransley who is an Executive.

EXECUTIVE KMP REMUNERATION

The Group aims to reward Executive KMP based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components which comprises the total remuneration:

- fixed remuneration, including superannuation (TFR)
- short-term performance incentives (STI)

- long-term performance incentives (LTI)
- non-monetary benefits (including fringe benefits)

a) Executive KMP

The table below shows Executive KMP during FY21, including a summary of notice periods and key terms.

Name	Position as at 30 June 2021	Notice Period
C Ransley* (appointed 1 April 2021)	Executive Chairman	Up to 3 years – 8 months 3 or more years – 6 months
D McCarthy* (appointed 1 April 2021)	Managing Director	Up to 3 years – 8 months 3 or more years – 6 months
C Van Tonder* (appointed 1 September 2020)	Chief Financial Officer	3 months
M Etcell (appointed 1 September 2020)	Company Secretary, Executive General Manager Corporate Affairs	6 months
N Boom* (appointed 1 September 2020)	Chief Commercial Officer	6 months

** KMP throughout the entire period despite role change*

b) Fixed remuneration

The purpose of TFR is to provide a base level of remuneration which is market-competitive and appropriate. TFR includes base pay and superannuation contributions. Executive contracts of employment do not include guaranteed base pay increases and are reviewed each year by the Remuneration Committee.

The TFR is determined using a number of factors, including skills displayed, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and all Executive KMP are on a continuing employment basis (not fixed term).

The terms and conditions of these contracts are not expected to change in the immediate future.

c) Short term incentives

The objective of awarding an STI is to link the rewards of all employees with the achievement of strategic goals, whilst constituting a reasonable cost to the Group. The STI performance measures are focused on the growth of the business and include various business performance and technical measurement components.

Weighting for each component can range from a minimum of 10% up to 50%, with a total of 100% for all components. Bonuses are awarded annually upon successful achievement of performance measures.

There was no formal STI scheme in place for the financial year ending 30 June 2021. As such, no STIs were awarded to any executive KMP during the period. The Group is currently in the process of refining its STI program and a new program will be presented to shareholders for FY2022.

d) Long Term Incentives

Performance-linked equity plans are widely considered to be a very effective means of providing incentives to attract and retain staff while aligning potential incentive outcomes with the interests of shareholders. The objective of the LTI is to link the long-term performance objectives of the Company with the retention of the Group's employees at all levels.

The Remuneration Committee and the Board believes that rewarding the performance of Executive KMP with an equity-linked incentive program underpins the employment strategy of attracting and retaining high caliber staff capable of executing the Group's strategic plans, and will:

(a) assist the retention of executive KMP and operational staff;

(b) enhance the Group's ability to attract quality staff in the future;

(c) link the rewards of all management employees with the achievement of strategic goals and the long- term performance objectives of the Group; and

(d) provide incentives to management employees to deliver superior performance that creates shareholder value.

There were no LTI's awarded to any Executive KMP during the financial year ending 30 June 2021. Share based payments were awarded to Executive KMP during FY2019 and FY2020, however as allocations under the FY2020 award did not meet the initial vesting criteria they did not vest and were therefore forfeited before being issued. With respect to allocations under the FY2019 award, initial vesting conditions were met, however given the exercise price applied to the allocations was too optimistic and incapable of being met, the Board, cancelled the allocations during FY2021 following agreement by option holders.

The Group has engaged an external consultant to design and implement a more appropriate LTI program for Executive KMP and the terms of the program will be presented to shareholders at the appropriate time.

e) Non-monetary benefits

Executive KMP's may receive fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

AMOUNTS OF REMUNERATION

The following table sets out the statutory remuneration disclosures required under the Corporations Act and has been prepared in accordance with the appropriate accounting standards.

		Short-term benefits			Post-employment benefits		Share-based payments		
		Salary	Cash Bonus [10]	Other	Super annuation	Termination Benefits	Share Options [11]	Shares	Total
2021		$	$	$	$	$	$	$	$
Non-Executive Directors									
W King AO [1]	**2021**	**100,192**	**–**	**–**	**7,808**	**–**	**(17,723)**	**165,000**	**255,277**
	2020	156,589	–	–	10,411	–	8,748	130,369	306,117
P Anderson [2]	**2021**	**10,000**	**–**	**–**	**–**	**–**	**(6,745)**	**–**	**3,255**
	2020	73,059	–	–	6,941	–	3,588	–	83,588
P Forrest [3]	**2021**	**–**	**–**	**–**	**–**	**–**		**–**	**–**
	2020	120,000	–	–	–	–	3,274	–	123,274
M Hunter	**2021**	**100,457**	**–**	**–**	**9,543**	**–**	**5,398**	**–**	**115,398**
	2020	73,059	–	–	6,941	–	3,588	–	83,588
S Kyriakou [4]	**2021**	**73,250**	**–**	**40,000**	**–**	**–**	**–**	**–**	**113,250**
	2020	–	–	–	–	–	–	–	–
G Lewis [5]	**2021**	**110,000**	**–**	**84,326**	**–**	**–**	**–**	**–**	**194,326**
	2020	72,998	–	–	–	–	–	–	72,998
C Lyons [6]	**2021**	**107,500**	**–**	**122,500**	**–**	**–**	**–**	**–**	**230,000**
	2020	–	–	–	–	–	–	–	–
J Soorley [7]	**2021**	**4,194**	**–**	**75,000**	**–**	**–**	**(15,837)**	**–**	**63,357**
	2020	120,000	–	–	–	–	7,858	–	127,858
T Togoo [8]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	141,489	–	–	–	–	(8,003)	–	133,486
C Wallace [9]	**2021**	**20,000**	**–**	**–**	**–**	**–**	**(15,837)**	**–**	**4,163**
	2020	120,000	–	–	–	–	7,858	–	127,858
Total Directors	**2021**	**525,592**	**–**	**321,826**	**17,352**	**–**	**(50,744)**	**165 000**	**979,026**
	2020	877,194	–	–	24,293	–	26,911	130 369	1,058,767

(1) *Resigned 31 March 2021. Ordinary shares issued to Mr King are in accordance with his Non-Executive Chairman Appointment Agreement with the Company.*

2021 – shares relate to the period 1 January 2021 to 31 December 2021 and were approved by shareholders at the 2020 AGM held on 26 November 2020. The fair value of these shares is $165,000, being $0.165 per share on the grant date of 29 December 2020.

2020 – shares relate to the period 1 January 2020 to 31 December 2020 and were approved by shareholders at the 2019 AGM held on 19 November 2019. The fair value of these shares is $130,369, being $0.36 per share on the grant date of 26 November 2019.

(2) *Resigned 31 July 2020.*

(3) *Resigned as a Director of TerraCom on 23 December 2019 but remained a Director of subsidiaries throughout the remainder. The remuneration for 2020 is for the entire reporting period.*

(4) *Appointed 7 September 2020. Other amounts relate to additional advisory services to the Company. Payments made for these services are at market rates.*

(5) *Other amounts relate to additional advisory services to the Company with respect to the South African operations. Payments made for these services are at market rates.*

(6) *Appointed 14 July 2020. Other fees relate to additional advisory services to the Company with respect to the South African operations. Payments made for these services are at market rates.*

(7) *Resigned 13 July 2020. Other amounts relate to additional advisory services to the Company. Payments made for these services are at market rates.*

(8) *Resigned 24 June 2020.*

(9) *Resigned 22 August 2020.*

(10) *Cash bonus awarded to Executive KMP. Bonus payments are at the discretion of the Remuneration Committee.*

(11) *Options awarded to Directors and Executive KMP following shareholder approval at AGM held on 27 November 2018. Options were granted on 26 November 2019. A total of 412,901 were forfeited in FY2021 following the resignation of Mr King, Mr Anderson, Mr Soorley and Mr Wallace. Remaining options totalling 52,814 were also cancelled by the board during FY2021 following agreement by option holders.*

		Short-term benefits			Post-employment benefits		Share-based payments		
		Salary [6]	Cash Bonus [7]	Other	Super annuation	Termination Benefits	Share Options [8]	Shares	Total
2021		$	$	$	$	$	$	$	$
Executive KMP									
C Ransley [1]	**2021**	**842,942**	**–**	**407,665**	**–**	**–**	**–**	**–**	**1,250,607**
	2020	282,586	–	–	–	–	–	–	282,586
D McCarthy [2]	**2021**	**762,500**	**–**	**–**	**25,000**	**–**	**34,517**	**–**	**822,017**
	2020	725,000	100,000	–	25,000	–	24,911	–	874,911
N Boom [3]	**2021**	**620,833**	**–**	**–**	**25,000**	**–**	**70,419**	**–**	**716,252**
	2020	462,500	100,000	–	25,000	–	45,292	–	632,792
M Etcell [4]	**2021**	**333,333**	**–**	**–**	**20,833**	**–**	**–**	**–**	**354,167**
	2020	–	–	–	–	–	–	–	–
C Van Tonder [5]	**2021**	**413,943**	**–**	**348,330**	**–**	**–**	**–**	**–**	**762,273**
	2020	–	–	–	–	–	–	–	–
Total Executive KMP	**2021**	**2,973,552**	**–**	**755,995**	**70,833**	**–**	**104,936**	**–**	**3,905,316**
	2020	1,470,086	200,000	–	50,000	–	70,203	–	1,790,289

(1) *Appointed Executive Chairman 1 April 2021. Other amounts relate to an accommodation allowance outside of Australia and covers the period from 1 July 2020 to 1 June 2023.*

(2) *Appointed Managing Director 1 April 2021.*

(3) *KMP throughout the entire period but role change from Chief Financial Officer to Chief Commercial Officer, effective 1 September 2020.*

(4) *KMP from 1 September 2020 following appointment to Executive General Manager Corporate Affairs.*

(5) *KMP throughout the entire period but role change from Chief Financial Officer (Universal Coal plc) to Chief Financial Officer (TerraCom), effective 1 September 2020. Remuneration shown is for the entire reporting period. Other amounts paid to Ms Van Tonder relate to a contractual agreement approved by the Universal Coal plc bid-committee (comprised of Independent Directors) prior to the takeover by TerraCom.*

(6) *Salary includes the entitlement for annual leave that was expensed during the period.*

(7) *Cash bonus awarded to Executive KMP. Bonus payments are at the discretion of the Remuneration Committee.*

(8) *Options awarded to Executive KMP following shareholder approval at AGM held on 27 November 2018. Options totalling 800,000 were granted on 26 November 2019, but all were cancelled by the board during FY2021 following agreement by option holders.*

REMUNERATION REPORT CONTINUED

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		Share-based payment		At risk incentives	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Non-Executive Directors						
W King AO [(1)]	**40%**	54%	**60%**	43%	**–**	3%
P Anderson [(2)]	**100%**	96%	**–**	–	**–**	4%
P Forrest [(3)]	**–**	97%	**–**	–	**–**	3%
M Hunter	**95%**	95%	**5%**	–	**–**	5%
G Lewis	**100%**	100%	**–**	–	**–**	–
C Lyons [(4)]	**100%**	–	**–**	–	**–**	–
S Kyriakou [(5)]	**100%**	–	**–**	–	**–**	–
J Soorley [(6)]	**100%**	93%	**–**	–	**–**	7%
T Tsogt [(7)]	**–**	100%	**–**	–	**–**	–
C Wallace [(8)]	**100%**	93%	**–**	–	**–**	7%
Executive KMP	**–**	–	**–**	–	**–**	–
C Ransley [(9)]	**100%**	100%	**–**	–	**–**	–
D McCarthy [(10)]	**95%**	85%	**5%**	–	**–**	15%
N Boom	**90%**	77%	**10%**	–	**–**	23%
M Etcell [(11)]	**100%**	–	**–**	–	**–**	–
C Van Tonder	**100%**	–	**–**	–	**–**	–

[(1)] *resigned 31 March 2021.*
[(2)] *resigned 31 July 2020.*
[(3)] *resigned 23 December 2019.*
[(4)] *appointed 14 July 2020.*
[(5)] *appointed 7 September 2020.*
[(6)] *resigned 13 July 2020.*
[(7)] *resigned 24 June 2020.*
[(8)] *resigned 22 August 2020.*
[(9)] *appointed Executive Chairman 1 April 2021, previously held the role of Executive Deputy Chairman.*
[(10)] *appointed Managing Director 1 April 2021, previously held the role of Chief Executive Officer.*
[(11)] *Ms Etcell was appointed KMP from 1 September 2020.*

At risk incentives include cash bonuses and options. Options issued to directors are considered at risk due to the market conditions attached which could result in the options having nil value at vesting date.

4. SHARE-BASED COMPENSATION

ISSUE OF SHARES

Details of shares issued to directors and other key management personnel as part of compensation during this financial year and the previous financial year are set out below.

Name	Date	Shares	Issue Price	Fair Value
W. King AO	29 December 2020	1,000,000	$0.165	$165,000
W. King AO	26 November 2019	362,138	$0.360	$130,369

OPTIONS TO DIRECTORS AND EXECUTIVES

Under the Company's LTI Plan, both Directors and Executive KMP can be awarded options.

The award of options to Directors is subject to shareholder approval and the award of options to other Executive KMP is subject to Board approval on the proviso that the terms and conditions of the award is consistent with the terms and conditions of the LTI approved by shareholders within the last three years.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Grant date	Vesting date	Opening Balance	Number of options granted	Value of options granted	Value of options vested	Number of options lapsed/ forfeited/ cancelled	Closing Balance
Directors								
W King [1]	27/11/2018	01/07/2021	128,761	–	–	–	(128,761)	–
P Anderson [2]	27/11/2018	01/07/2021	52,814	–	–	–	(52,814)	–
M Hunter [3]	27/11/2018	01/07/2021	52,814	–	–	–	(52,814)	–
J Soorley [4]	27/11/2018	01/07/2021	115,663	–	–	–	(115,663)	–
C Wallace [5]	27/11/2018	01/07/2021	115,663	–	–	–	(115,663)	–
Executive KMP								
D McCarthy [3]	20/03/2019	20/03/2024	400,000	–	–	–	(400,000)	–
N Boom [3]	20/03/2019	20/03/2024	400,000	–	–	–	(400,000)	–

(1) *resigned 31 March 2021.*

(2) *resigned 31 July 2020.*

(3) *options cancelled by the board during FY2021 following agreement by option holder.*

(4) *resigned 13 July 2020.*

(5) *resigned 22 August 2020.*

FAIR VALUE MEASUREMENT OF OPTIONS

Options issued to non-executive directors and Executives KMPs are measured at fair value on grant date. Fair value is independently determined using the Monte Carlo simulation 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 conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

The table below identifies the factors used by the Group in calculating the fair value of options awarded to Directors and Executive KMP:

	Factors used to determine fair value 2018 Director Options	Factors used to determine fair value 2018 Executive KMP Options – D McCarthy	Factors used to determine fair value 2018 Executive KMP Options – N Boom
Grant date	27 November 2018	20 March 2019	20 March 2019
Expiry date	27 November 2023	20 March 2024	20 March 2024
Performance period – start date	1 July 2018	1 December 2018	1 July 2018
Performance period – end date	30 June 2019	30 November 2019	30 June 2019
Issue Date	26 November 2019	26 November 2019	26 November 2019
Exercise price	$0.415	$0.595	$0.415
ASX Index (ASX:XJO) on Grant date [a]	5,728	6,165	6,165
ASX Index (ASX:XJO) on Performance Period – Start Date	6,195	5,667	6,195
TER Share Price on Grant Date	$0.510	$0.665	$0.665
TER Share Price on Performance Period – Start Date	$0.415	$0.595	$0.415
Estimated volatility	– [b]	– [c]	– [c]
Risk free interest rate	2.20%	1.53%	1.53%

[a] *the market conditions for these options relate to the growth of the TerraCom share price relative to the ASX200 calculated in accordance with the explanatory statement attached to the notice of annual general meeting dated 18 October 2019.*

[b] *70% based on the historical TerraCom Limited share price volatility as at the grant date; 10% based on the historical ASX200 index value volatility as at the grant date.*

[c] *65% based on the historical TerraCom Limited share price volatility as at the grant date; 10% based on the historical ASX200 index value volatility as at the grant date.*

Other than disclosed above, there were no other options over ordinary shares granted to or vested by non-executive directors and other Executive KMP as part of compensation during the year ended 30 June 2021.

5. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

SHAREHOLDING

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Non-Executive Directors:					
W King AO [1]	2,100,682	1,000,000	–	(3,100,682)	–
P Anderson [2]	79,384,730	–	–	(79,384,730)	–
M Hunter	1,592,309	–	–	–	1,592,309
G Lewis [3]	847,615	–	–	–	847,615
C Lyons [4]	–	–	–	–	–
S Kyriakou [3] [5]	–	–	–	–	–
J Soorley [6]	683,117	–	–	(683,117)	–
C Wallace [7]	10,200	–	–	(10,200)	–
Executive KMP:		–	–		
C Ransley [3] [8]	27,861,863	–	–	–	27,861,863
D McCarthy [3] [9]	1,000	–	–	–	1,000
N Boom	–	–	–	–	–
M Etcell [3]	2,110	–	–	–	2,110
C Van Tonder	–	–	–	–	–

(1) *resigned 31 March 2021.*

(2) *resigned 31 July 2020.*

(3) *Rainbow Max Limited, as trustee for Rainbow Max Unit Trust, holds 70,359,573 fully paid ordinary shares in the Company. Mr Lewis, Mr Kyriakou, Mr Ransley, Mr McCarthy and Ms Etcell (via nominees) are all unitholders of the Trust.*

(4) *appointed 14 July 2020.*

(5) *appointed 7 September 2020.*

(6) *resigned 13 July 2020.*

(7) *resigned 22 August 2020.*

(8) *Appointed Executive Chairman 1 April 2021. Previously held the role of Executive Deputy Chairman.*

(9) *Appointed Managing Director 1 April 2021. Previously held the role of Chief Executive Officer.*

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001 (Cth).*

On behalf of the directors

Craig Ransley
Executive Chairman

Danny McCarthy
Managing Director

7 October 2021
Sydney

SECTION 4
FINANCIAL REPORT

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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 and United Kingdom subsidiaries is Australian Dollars (AUD), the South African subsidiaries is South Africa Rand (ZAR), and the rest 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.

North Block Complex Colliery

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2021

	Note	Consolidated 2021 $ '000	2020 Restated* $ '000
Revenue		549,007	316,858
Cost of goods sold		(489,109)	(296,193)
Gross profit		**59,898**	**20,665**
Net gain on revaluation of investment in associate	4	-	3,190
Other operating and administration expenses	5	(37,954)	(26,275)
Exploration tenement write-off		-	(854)
Net foreign exchange (loss)/gain		(4,946)	6,217
Share of (losses)/profit of associates		(5)	843
		16,993	**3,786**
Financial income		1,261	1,716
Financial expense	6	(46,830)	(34,480)
Impairment of Australian exploration assets	17	(33,576)	-
Depreciation and amortisation expense		(42,926)	(28,158)
Loss on disposal of fixed assets		(1,046)	-
Loss before income tax from continuing operations		**(106,124)**	**(57,136)**
Income tax benefit	8	11,558	16,494
Loss after income tax from continuing operations		**(94,566)**	**(40,642)**
Loss after income tax from discontinued operations	9	-	(116,033)
Loss after income tax for the year		**(94,566)**	**(156,675)**
Loss for the year is attributable to:			
Non-controlling interest	31	(10,509)	(5,823)
Owners of TerraCom Limited		(84,057)	(150,852)
		(94,566)	**(156,675)**
		Cents	**Cents**
Earnings per share for profit/(loss) from continuing operations attributable to the owners of TerraCom Limited			
Basic earnings per share	10	(11.15)	(6.29)
Diluted earnings per share	10	(11.15)	(6.29)
Earnings per share for loss attributable to the owners of TerraCom Limited			
Basic earnings per share	10	(11.15)	(27.25)
Diluted loss per share	10	(11.15)	(27.25)

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 purchase price accounting for the Universal Coal Plc acquisition (detailed in note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate (note 4), earnings per share (note 11), operating segments (note 3), exploration and evaluation assets (note 18), property, plant and equipment (note 17), deferred tax (note 19) and trade and other receivables (note 13).

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	Consolidated 2021 $ '000	2020 Restated* $ '000
Loss after income tax for the year		**(94,566)**	**(156,675)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		28,691	(3,430)
Other comprehensive income/(loss) for the year net of tax		**28,691**	**(3,430)**
Total comprehensive loss for the year		**(65,875)**	**(160,105)**
Total comprehensive income from continuing operations for the year is attributable to:			
Non-controlling interest		(6,390)	(10,484)
Owners of TerraCom Limited		(59,485)	(22,086)
		(65,875)	**(32,570)**
Total comprehensive income from discontinued operations for the year is attributable to:			
Non-controlling interest		-	(2,113)
Owners of TerraCom Limited		-	(125,422)
		-	**(127,535)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(6,390)	(12,597)
Owners of TerraCom Limited		(59,485)	(147,508)
		(65,875)	**(160,105)**

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 purchase price accounting for the Universal Coal Plc acquisition (detailed in note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate (note 4), earnings per share (note 11), operating segments (note 3), exploration and evaluation assets (note 18), property, plant and equipment (note 17), deferred tax (note 19) and trade and other receivables (note 13).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	Consolidated 2021 $ '000	2020 Restated* $ '000
Assets			
Current Assets			
Cash and cash equivalents	11	11,186	10,108
Trade and other receivables	12	67,232	44,539
Inventories	13	21,717	26,631
Other current assets		-	3,320
Ndalamo loan receivable	20	4,368	-
		104,503	**84,598**
Non-Current Assets			
Trade and other receivables	12	2,254	-
Restricted cash	14	47,032	47,647
Investments accounted for using the equity method		38	35
Other financial assets	15	8,362	4,737
Property, plant and equipment	16	285,128	279,553
Exploration and evaluation assets	17	123,568	150,888
Deferred tax	18	39,683	25,060
Other non-current assets	19	13,423	8,253
		519,488	**516,173**
Total Assets		**623,991**	**600,771**
Liabilities			
Current Liabilities			
Trade and other payables	21	127,375	106,770
Borrowings	22	272,772	219,751
Lease liabilities	23	1,652	2,273
Provisions	24	3,360	1,429
Financial liabilities	25	895	1,026
		406,054	**331,249**
Non-Current Liabilities			
Trade and other payables	26	1,305	1,726
Borrowings	22	41,824	39,604
Lease liabilities	23	280	2,666
Deferred tax	18	29,182	29,794
Provisions	24	167,686	143,938
Financial liabilities	25	-	3,386
Ndalamo loan payable	20	5,165	7,383
		245,442	**228,497**
Total Liabilities		**651,496**	**559,746**
Net (Liabilities) / Assets		**(27,505)**	**41,025**

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 purchase price accounting for the Universal Coal Plc acquisition (detailed in note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate (note 4), earnings per share (note 11), operating segments (note 3), exploration and evaluation assets (note 18), property, plant and equipment (note 17), deferred tax (note 19) and trade and other receivables (note 13).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	Consolidated 2021 $ '000	2020 Restated* $ '000
Equity			
Equity Attributable to Equity Holders of Parent			
Issued capital	27	335,657	335,492
Reserves	28	29,760	17,098
Accumulated losses	30	(445,823)	(373,736)
Deficiency attributable to the owners of TerraCom Limited		(80,406)	(21,146)
Non-controlling interest	31	52,901	62,171
Total equity		**(27,505)**	**41,025**

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

* The finalisation of the purchase price accounting for the Universal Coal Plc acquisition (detailed in note 4) resulted in a restatement. The restatement impacted net gain on revaluation of investment in associate (note 4), earnings per share (note 11), operating segments (note 3), exploration and evaluation assets (note 18), property, plant and equipment (note 17), deferred tax (note 19) and trade and other receivables (note 13).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Issued capital $ '000	Foreign currency translation reserve $ '000	Share based payments / options reserve $ '000	Accumulated losses $ '000	Non-controlling interest $ '000	Total equity $ '000
Balance at 01 July 2019	**277,662**	**1,843**	**11,667**	**(225,115)**	**4,387**	**70,444**
Loss after income tax	-	-	-	(150,852)	(5,823)	(156,675)
Other comprehensive income for the year, net of tax	-	3,344	-	-	(6,774)	(3,430)
Total comprehensive Loss for the year	**-**	**3,344**	**-**	**(150,852)**	**(12,597)**	**(160,105)**
Transactions with owners in their capacity as owners:						
Shares issued for acquisition of associate / business combination, net of share issue costs (note 27)	49,184	-	-	-	-	49,184
Additions through Business combinations	-	-	-	-	95,951	95,951
Acquisition of non-controlling interest share in subsidiary	8,496	-	-	6,902	(25,357)	(9,959)
Share-based payments (note 29)	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 (note 33)	-	-	-	(4,671)	-	(4,671)
Balance at 01 July 2020 (Restated)	**335,492**	**5,187**	**11,911**	**(373,737)**	**62,171**	**41,024**
Loss after income tax	-	-	-	(84,057)	(10,509)	(94,566)
Other comprehensive income	-	24,573	-	-	4,118	28,691
Total comprehensive Loss for the year	**-**	**24,573**	**-**	**(84,057)**	**(6,391)**	**(65,875)**
Transfers between equity accounts	-	-	(11,971)	11,971	-	-
Share-based payments (note 29)	165	-	60	-	-	225
Dividend paid by subsidiary to Non-Controlling Interest	-	-	-	-	(2,879)	(2,879)
Balance at 30 June 2021	**335,657**	**29,760**	**-**	**(445,823)**	**52,901**	**(27,505)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	Consolidated 2021 $ '000	Consolidated 2020 $ '000
Cash flows from operating activities			
Receipts from customers		525,676	409,747
Payments to suppliers and employees		(499,895)	(401,912)
Interest received		114	4,097
Interest paid		(17,825)	(28,506)
Tax payments made		(2,281)	(5,642)
Receipts/(payments) relating to secured deposits		-	24,990
Net cash from operating activities	32	**5,789**	**2,774**
Cash flows used in investing activities			
Payments for property, plant and equipment	16	(27,415)	(15,435)
Sale of property, plant and equipment		264	-
Payments for exploration and evaluation	17	(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 for financial asset (mining rehabilitation guarantee)		(3,321)	(1,084)
Payments for cash advances to other parties	19	(5,584)	(2,812)
Loan repayment to/(from) Ndalamo Resources		(6,696)	3,166
Loan to Universal Coal Development VII (Pty) Ltd - joint venture		(101)	-
Dividends received		-	512
Net cash used investing activities		**(43,805)**	**(44,506)**
Cash flows from financing activities			
Share issue transaction costs	27	-	(1,233)
Proceeds from borrowings		56,031	26,729
Repayment of borrowings		(12,051)	(6,043)
Repayment of land royalty agreement		(701)	(211)
Repayment of principal component of lease liabilities		(1,127)	(10,119)
Dividends paid	33	-	(4,671)
Dividend paid by subsidiary to Non-controlling interest		(2,879)	(1,490)
Consideration paid for non-controlling interest		-	(9,679)
Net cash from/(used in) financing activities		**39,273**	**(6,717)**
Net increase/(decrease) in cash and cash equivalents		**1,257**	**(48,449)**
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		(179)	(644)
Cash and cash equivalents at the end of the financial year	11	**11,186**	**10,108**

The consolidated statement of cashflows 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.

AASB 108 - Changes in accounting policies - IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting policy - Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Company does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group/Company with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

The impact of adopting this change is immaterial.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not considered material to the Group.

1.2 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001 (Cth)*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

During the interim period ended 31 December 2020, as a result of management and board changes in Universal Coal and Energy Holdings (Pty) Ltd (**UCEHSA**) (subsidiary), TerraCom deconsolidated its South African Operations, in accordance with AASB 10 Consolidated Financial Statements. There was a perceived loss of control, in anticipation of the finalisation of a re-structure with their Black Economic Empowerment partner which was expected to be completed in quarter three of the financial year. Subsequently, all agreements and discussions ceased and TerraCom immediately replaced the UCEHSA management and board, illustrating that control was never lost, and rather it was only perceived to have been lost. UCEHSA remains a fully owned subsidiary of the TerraCom Group, with no change in shareholding in any of TerraCom's South African subsidiaries. As no 31 December 2020 balances have been presented in these financial statement, no re-statement has been required.

1.2 Basis of preparation (continued)

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 $301.6 million (30 June 2020: $246.7 million), with $249.5 million (or 83%) of this deficiency relating to maturity of its Borrowings (Listed Euroclear Bond and Convertible Note Facility) which at the date of this report are due for repayment on 8 October 2021. The Group is currently negotiating a refinance package with a new counterparty to settle this existing obligation.

In the event that the new refinance program is not settled by 8 October 2021, via a special resolution under the existing Listed Euroclear Bond, the Company, Note Trustee and Ordinary Noteholders have a agreed a restructuring of the Borrowings (Listed Euroclear Bond and Convertible Note Facility) which comes into effect on this date, subject to the completion of long form legal documentation by 30 November 2021. The Company, Note Trustee and Ordinary Noteholders can elect to execute existing long form legal documentation in lieu of completing new long form legal documentation.

The restructuring of the Borrowings with the existing Note Trustee and Ordinary Noteholders stipulates that the Borrowings (principal and interest) are to be repaid in monthly instalments over the facility's extended maturity date, being 31 December 2022. The commercial terms of the borrowings remain consistent with the existing facility (interest rate of 12.5% per annum, special interest of 0.75% of Blair Athol revenue). The monthly repayment amount is based on an agreed cash sweep determined from the Company's financial performance. Any amount unpaid as at 31 December 2022 is repayable in a bullet payment at that time.

The total comprehensive loss for the period was $65.9 million. The loss after income tax for the period was $94.6 million, which consisted of major non-cash items, including $42.9 million of depreciation and amortisation, $33.6 million impairment expense on the Group's Australian exploration assets, $4.9 million of foreign exchange losses and $1.0 million of losses recognised on disposal of fixed assets.

The Group generated net cash from operating activities excluding net interest and tax of $25.8 million (2020: $32.8 million). During the year ended 30 June 2021, the Group's revenue was significantly impacted by the lower export market prices earned. 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).

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

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 improved and assuming prices remain robust, the Group's anticipates this will improve its cash flows from operations for the 2022 financial year.

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

- The Group's current operations and prevailing global thermal coal market conditions are expected to result in improved operating cash flows in 2022 financial year;
- The Group continues to work closely with its key contractors and suppliers to manage its cash outflows and where necessary obtain agreement to extend payment terms;
- The Group continues to closely monitor available cash reserves and undertake initiatives to preserve liquidity; and
- The Group has a history of being able to pay down, refinance or defer its debt obligations if required.

If the Group is unable to achieve the above measures 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.

1.2 Basis of preparation (continued)

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 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 40.

1.4 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.

1.5 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.

1.6 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 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

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.

1.16 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, it's 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.

1.16 Investments and other financial assets (continued)

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.

1.17 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.

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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.24 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.

1.25 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.

1.26 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.

1.27 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 within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

For long service leave payable beyond 12 months the amount payable is discounted back to the present value of the liability.

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 the rendering of services.

1.27 Employee benefits (continued)

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.

The company elects to transfer the share-based reserve for cancelled share options to retained earnings.

1.28 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.

1.29 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.

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.

1.30 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.

1.31 Dividends

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

1.32 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.

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.

1.33 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.

1.34 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.

1.35 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.

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.

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

Estimated future cash flows used to determined 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.

Carrying value of exploration and evaluation assets

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.

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.

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

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.

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.

3. Operating segments (continued)

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 $'000	2021 %	2020 $'000	2020 %
Major customers				
Eskom	216,121	39.4 %	69,844	19.9 %
Glencore	85,820	15.6%	18,818	5.3 %
Noble Group	11,980	2.2 %	133,935	38.1 %
Other customers	235,086	42.8 %	128,995	36.7 %
	549,007	**100 %**	**351,592**	**100 %**

3. Operating segments (continued)

Operating segment information

2021	Australia $'000	South Africa $'000	Unallocated / Corporate $'000	Total $'000
Revenue				
Sales to external customers	159,237	389,770	-	549,007
Cost of goods sold	(138,510)	(350,599)	-	(489,109)
Gross profit	**20,727**	**39,171**	**-**	**59,898**
Other operating and administration expenses	(17,324)	(4,246)	(16,384)	(37,954)
Net foreign exchange loss	-	-	(4,946)	(4,946)
Share of profits of associates	-	(5)	-	(5)
	3,403	**34,920**	**(21,330)**	**16,993**
Net finance expenses	(2,452)	(8,490)	(34,627)	(45,569)
Impairment of Australian exploration assets	(33,576)	-	-	(33,576)
Depreciation and amortisation	(13,275)	(29,584)	(67)	(42,926)
Loss on disposal	-	-	(1,046)	(1,046)
	(45,900)	**(3,154)**	**(57,070)**	**(106,124)**
Loss before income tax				(106,124)
Income tax benefit				11,558
Loss after income tax benefit				**(94,566)**
Assets				
Segment assets	216,214	404,750	3,027	623,991
Total assets	**216,214**	**404,750**	**3,027**	**623,991**
Total assets include additions and acquisitions of non-current assets:				
Property, plant and equipment	4,835	23,830	-	28,665
Exploration and evaluation	7	945	-	952
	4,842	**24,775**	**-**	**29,617**
Liabilities				
Segment liabilities	137,288	246,500	267,708	651,496
Total liabilities	**137,288**	**246,500**	**267,708**	**651,496**

3. Operating segments (continued)

2020 (Restated)	Australia $'000	South Africa $'000	Mongolia $'000	Unallocated / Corporate $'000	Total $'000
Revenue					
Sales to external customers	221,546	95,312	34,734	-	351,592
Cost of goods sold	(209,181)	(87,012)	(12,365)	-	(308,558)
Gross profit	**12,365**	**8,300**	**22,369**	**-**	**43,034**
Gain on revaluation of investment in associate	-	3,190	-	-	3,190
Other operating and administration expenses	(3,817)	(6,880)	(9,716)	(15,716)	(36,129)
Exploration tenement write-off	(854)	-	-	-	(854)
Net foreign exchange gain / (loss)	-	-	(3,361)	6,355	2,994
Share of profits of associates	-	843	-	-	843
	7,694	**5,453**	**9,292**	**(9,361)**	**13,078**
Depreciation and amortisation	(17,024)	(11,134)	(17,573)	-	(45,731)
Loss on disposal	-	-	(102,124)	-	(102,124)
Net finance expenses	-	(1,489)	(5,546)	(31,275)	(38,310)
	(9,330)	**(7,170)**	**(115,951)**	**(40,636)**	**(173,087)**
Loss before income tax					(173,087)
Income tax benefit					16,412
Loss after income tax benefit					**(156,675)**
Assets					
Segment assets	259,309	336,969	-	4,493	600,771
Total assets	**259,309**	**336,969**	**-**	**4,493**	**600,771**
Total assets include additions and acquisitions of non-current assets:					
Property, plant and equipment	17,632	208,326	30,605	-	256,563
Exploration and evaluation	383	111,701	-	-	112,084
	18,015	**320,027**	**30,605**	**-**	**368,647**
Liabilities					
Segment liabilities	137,098	160,011	-	262,637	559,746
Total liabilities	**137,098**	**160,011**	**-**	**262,637**	**559,746**

Geographical information

	Sales to external customers		Geographical non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australia	159,237	221,546	204,988	237,640
Mongolia	-	34,734	-	-
South Africa	389,770	95,312	307,094	277,849
	549,007	**351,592**	**512,082**	**515,489**

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 27 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:

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

	Provisional Fair value $'000	Adjustment $'000	Finalised Fair value $'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	(18,542)	184,893
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)	6,228	(36,061)
Net assets acquired	**218,965**	**(19,677)**	**199,288**
Non-controlling interest (1)	(108,667)	12,716	(95,951)
Acquisition-date fair value at TerraCom's share	**110,298**	**(6,961)**	**103,337**
Representing:			
Purchase consideration (refer below for composition)	99,848	-	99,848
Impact of equity accounting post acquisition	299	-	299
Gain on revaluation of associate on acquisition	10,151	(6,961)	3,190
	110,298	**(6,961)**	**103,337**

(1) Non-controlling interest relates to both non-controlling interest of Universal Coal Plc at acquisition date, as TerraCom Limited owned 81.48% of outstanding shares of Universal Coal Plc at acquisition date and the non-controlling interest related to BEE partners which own various percentages of Universal Coal subsidiaries.

4. Business combinations (continued)

The Group in collaboration with an independent valuation expert used 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'.

The following amendments were made to the PPA, as a result of information which has since become available that existed at the acquisition date:

(1) Trade and other receivables: Diesel rebate receivables of $3.7 million that was included in receivables at 31 March 2020 have been identified as impaired/not recoverable and has been removed from the receivables balance at 31 March 2020.

(2) Property Plant and Equipment: Amended future cashflow to include consistent treatment of management fees to shareholders and tax losses at the date of acquisition. This results in a reduction of $18.5 to $184.8million.

(3) Exploration and evaluation asset: amended to the reported 31 March 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.

(4) Deferred tax: amended to reflect the income tax adjustment at the average income tax rate of the amendment to the exploration and evaluation assets.

(5) The gain on revaluation of associate on acquisition: amended as a result of the finalization of the value of the associate at acquisition date.

(6) Non Controlling Interest: The decrease in Non Controlling interest is the allocation of the various movements to the various minority shareholder interest at the date of acquisition.

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 $6,153,000.

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 $11,323,000.

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

	$ '000
Purchase consideration	
Cash consideration (1)	49,432
Shares issued, at fair value (2)	50,416
Total consideration	**99,848**

(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 Date (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 $'000 Original	$'000	2020 $'000 Restated
Trade and other receivables	48,201	(3,662)	44,539
Property, plant and equipment	301,726	(22,173)	279,553
Exploration and evaluation	154,589	(3,701)	150,888
Deferred tax liability	(37,039)	7,245	(29,794)
Accumulated losses	(364,161)	(9,575)	(373,736)
Non-controlling interest	74,887	(12,716)	62,171
Net gain on revaluation of investment in associate	10,151	(6,961)	3,190
Depreciation and amortisation expense	(24,527)	(3,631)	(28,158)
Income tax benefit	15,447	1,017	16,464

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
5. Other operating and administration expenses		
Other operating and administration expenses	24,593	26,275
Bad debts written off	2,619	-
Contract termination fee *	10,742	-
	37,954	**26,275**

* Fee associated with the termination of the life of mine sales and marketing contract at the Blair Athol Coal Mine.

6. Financial expense

	2021 $ '000	2020 $ '000
Interest expense on interest bearing loans	39,711	31,911
Unwinding of discount on rehabilitation provision	2,745	1,367
Interest on leases	243	473
Other interest and finance expense	4,131	729
Total finance costs	**46,830**	**34,480**

Other interest and finance expense includes interest on creditor repayments and interest on related party loans.

	Consolidated	
	2021	2020
	$ '000	$ '000

7. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young (TerraCom Limited Auditor) and BDO (UCEHSA Group auditor), the auditors of the Group:

	2021 $ '000	2020 $ '000
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities		
Audit or review of the financial statements	1,925	1,474
Other services		
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm.	8	8
Fees for other services - Indirect South African tax implementation discussions (Carbon tax)	12	-
	20	**8**
	1,945	**1,482**
Audit services		
Ernst & Young (Australia)	1,014	924
Ernst & Young (Singapore)	34	-
BDO (United Kingdom)	342	235
BDO (South Africa)	535	315
	1,925	**1,474**
Other services		
Ernst & Young (Australia)	8	8
Ernst & Young (South Africa)	12	-
	20	**8**
	1,945	**1,482**

8. Income tax benefit

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
Reconciliation of the tax expense		
Income tax expense/(benefit)		
Current tax expense	5,228	2,614
Deferred tax benefit	(16,786)	(19,189)
Amounts recognised directly in equity	-	163
	(11,558)	**(16,412)**
Income tax benefit is attributable to:		
Profit/(loss) from continuing operations	(11,558)	(16,494)
Loss from discontinued operations	-	82
Aggregate income tax benefit	**(11,558)**	**(16,412)**
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax benefit from continuing operations	(106,124)	(57,136)
Loss before income tax expense from discontinued operations	-	(115,951)
	(106,124)	**(173,087)**
Tax at the statutory tax rate of 30% (2020: 30%)	(31,837)	(51,926)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable items	(2,506)	(25)
Gain on acquisition of Universal Coal Plc	-	(957)
Deferred tax assets previously not brought to account	-	(165)
Deferred tax assets not recognised	5,503	4,001
Adjustments in respect of current income tax of previous years	1,438	448
Foreign exchange	3,698	-
Non-deductible expenses (including disposal of Mongolian operations in prior year)	10,063	36,702
Other	1,848	5
	(11,793)	**(11,917)**
Difference in overseas tax rates	235	(4,495)
Income tax benefit	**(11,558)**	**(16,412)**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (South Africa)	12,569	7,123
Tax losses (Australia)	12,282	12,225
Tax losses (Singapore)	871	871
Total deferred tax assets not recognised	**25,722**	**20,219**

	Consolidated 2021 $ '000	Consolidated 2020 $ '000

9. Discontinued operations

Description

On 23 June 2020, the Company completed the sale of its Mongolian operations to Bridge Resources Pte Ltd (**Bridge**) for US$3. This transaction was 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.

(A) Financial performance information

	2021 $ '000	2020 $ '000
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	-	-
Loss on disposal after income tax expense	**-**	**(102,124)**
Loss after income tax expense from discontinued operations	**-**	**(116,033)**

(B) Cash flow information

	2021 $ '000	2020 $ '000
Net cash used in operating activities	-	(26,218)
Net cash from investing activities	-	418
Net cash used in financing activities	-	(4,002)
Net decrease in cash and cash equivalents from discontinued operations	**-**	**(29,802)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2021 *continued*

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
9. Discontinued operations (continued)		
(C) Carrying amounts of assets and liabilities disposed		
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
Total assets	**-**	**338,922**
Trade and other payables	-	58,491
Borrowings	-	8,990
Provisions	-	1,455
Deferred revenue	-	29,375
Other liabilities	-	144,933
Total liabilities	**-**	**243,244**
Net assets	**-**	**95,678**
(D) Details of the sale of the subsidiary		
Carrying amount of net liabilities disposed	-	(95,678)
Derecognition of foreign currency reserve	-	(6,446)
Loss on disposal before income tax	**-**	**(102,124)**
Income tax expense	-	-
Loss on disposal after income tax	**-**	**(102,124)**

10. Earnings per share

	Consolidated 2021 $ '000	2020 Restated $ '000
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax attributable to the owners of TerraCom Limited	(84,057)	(34,819)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	754,106,260	553,586,576

The Company cancelled all outstanding options and detachable warrants during the period, therefore there are no dilutive instruments at year end.

	Cents	Cents
Basic earnings per share	(11.15)	(6.29)
Diluted earnings per share	(11.15)	(6.29)

Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of TerraCom Limited	-	(116,033)

Earnings per share for loss		
Loss after income tax	(94,566)	(156,675)
Non-controlling interest	10,509	5,823
Loss after income tax attributable to the owners of TerraCom Limited	**(84,057)**	**(150,852)**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	754,106,260	553,586,576

The Company cancelled all outstanding options and detachable warrants during the period, therefore there are no dilutive instruments at year end.

	Cents	Cents
Basic earnings per share	(11.15)	(27.25)
Diluted earnings per share	(11.15)	(27.25)

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	Consolidated 2021 $ '000	2020 $ '000
Cash at bank	11,186	10,108

12. Trade and other receivables

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
Trade receivables	56,386	32,663
Long service leave receivable	2,254	-
Other receivables	10,846	11,876
Total trade and other receivables	**69,486**	**44,539**

Split between non-current and current portions

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
Current assets	67,232	44,539
Non-current assets	2,254	-
	69,486	**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%).

13. Inventories

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
Coal stock	21,010	25,694
Consumables and stores	707	937
	21,717	**26,631**

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

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
14. Restricted cash		
Bank deposit	2,032	2,647
Secured deposit	45,000	45,000
	47,032	**47,647**

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 22 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 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.

15. Other financial assets

	2021 $ '000	2020 $ '000
Mining rehabilitation guarantees	8,362	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 principal payments made to the insurer plus interest received on these payments over time, as a result it is recorded at amortised cost. Costs associated with the facility are expensed as incurred.

16. Property, plant and equipment

	2021			2020 Restated		
	Cost $'000	Accumulated depreciation $'000	Carrying value $'000	Cost $'000	Accumulated depreciation $'000	Carrying value $'000
Land and buildings	5,831	-	5,831	6,344	-	6,344
Right-of-use assets - land and buildings	778	(243)	535	1,125	(106)	1,019
Plant and equipment	54,536	(22,449)	32,087	48,280	(16,510)	31,770
Right-of-use assets - plant and equipment	3,100	(1,638)	1,462	5,718	(2,002)	3,716
Capital works in progress	20,469	-	20,469	27,797	-	27,797
Mine development	376,723	(151,979)	224,744	325,547	(116,640)	208,907
Total	**461,437**	**(176,309)**	**285,128**	**414,811**	**(135,258)**	**279,553**

16. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance $'000	Additions $'000	Disposals $'000	Transfers $'000	Other * $'000	Exchange differences $'000	Depreciation $'000	Total $'000
Land and buildings	6,344	-	-	-	-	(513)	-	5,831
Right-of-use assets - land and buildings	1,019	-	-	-	(433)	70	(121)	535
Plant and equipment	31,770	3,453	(145)	2,708	-	(340)	(5,359)	32,087
Right-of-use assets - plant and equipment	3,716	1,250	-	-	(1,998)	(344)	(1,162)	1,462
Capital works in progress	27,797	13,962	-	(22,774)	-	1,484	-	20,469
Mine development	208,907	10,000	(816)	20,066	10,292	12,579	(36,284)	224,744
	279,553	**28,665**	**(961)**	**-**	**7,861**	**12,936**	**(42,926)**	**285,128**

* Other for right of use assets relates to modifications to leases and leased assets derecognised. Other for mine development relates to rehabilitation asset adjustments for changes in assumptions.

Reconciliation of property, plant and equipment - 2020 (Restated)

	Opening balance $'000	Additions $'000	Additions through business combinations (note 4) $'000	Disposals as a result of discontinued operations $'000	Transfers in/(out) $'000	Effect of adoption of AASB 16 - Leases $'000	Exchange differences $'000	Depreciation $'000	Total $'000
Land and buildings	6,230	-	-	-	-	-	114	-	6,344
Right-of-use assets - land and buildings	-	-	1,121	-	-	-	(75)	(27)	1,019
Plant and equipment	16,203	146	11,842	(104)	8,025	-	(726)	(3,616)	31,770
Right-of-use assets - plant and equipment	-	16,865	-	(21,866)	-	19,571	63	(10,917)	3,716
Capital works in progress	474	13,691	40,164	-	(24,853)	-	(1,679)	-	27,797
Mine development	230,878	3,853	131,766	(135,081)	17,467	-	(8,805)	(31,171)	208,907
	253,785	**34,555**	**184,893**	**(157,051)**	**639**	**19,571**	**(11,108)**	**(45,731)**	**279,553**

16. 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 assets. 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.

The Company assessed that the lower coal sales, due to the COVID-19 pandemic lock downs, was an impairment indicator and performed a formal impairment assessment of all South African CGU's (Ubuntu, NCC and NBC). The result of the assessment was that no impairment was required at 30 June 2021. The Blair Athol mine did not have any impairment indicators.

The recoverable value of the Company's Coal Resources and Reserves (including its plant and equipment) is most sensitive to three items which are as follows:

1. Domestic thermal coal demand. In determining this the Company has considered the contracted volumes it has contracted with domestic power producers, as well as the South African forecasted electricity demand over the mine life.

2. Export coal demand. In determining this the Company has considered its export contracted volumes, as well as the forecasted coal demand over the mine life.

3. USD coal prices. In determining this the Company has considered the futures pricing on or around 30 June 2021.

4. ZAR:USD foreign exchange rate. In determining this the Company has considered the futures pricing on or around 30 June 2021.

5. Operating mine costs. The South African mines (NBC, NCC and Ubuntu) are contract operated mine sites. In determining this, the Company has considered its existing operating contracts with its suppliers.

16. Property, plant and equipment (continued)

	SOUTH AFRICAN CGU's
Impairment assumptions	
Discount Rate (1)	12.0%
Life-of-mine (years) (2)	Up to 13 years
Long term Export coal Price 6,000 kilocalorie (API4)	USD 82.50
Domestic coal price	Long term fixed contract price
Long term ZAR:USD exchange rate	14.56
Carrying value	
Carrying value as at 30 June 2021	200,079

(1) The discount rate derived using the weighted average cost of capital methodology adjusted for any risks that are not reflected in the underlying cash flows. A real post-tax discount rate of 12.0% was applied to post-tax cash flows.

(2) The estimated quantities of economically recoverable reserves and resources are based on interpretations of geological and geophysical models, which require assumptions to be made on factors, including future operating performance, capital requirements, and economic assumptions (coal price and foreign exchange). Any change in the recoverable reserves and resources may result in an amendment to the life of the mine.

Any material change in these assumptions or circumstances may result in a future impairment being recognised in future reporting periods.

17. Exploration and evaluation assets

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

Reconciliation of exploration and evaluation assets - 2021

	Opening balance $'000	Additions $'000	Exchange differences $'000	Impairment loss $'000	Total $'000
Exploration and evaluation	150,888	952	5,304	(33,576)	123,568

17. Exploration and evaluation assets (continued)

Reconciliation of exploration and evaluation assets - 2020 (Restated)

	Opening balance	Additions	Additions through business combinations (note 4)	Disposals as a result of discontinued operations	Transfers in/(out)	Revaluation increments	Exchange differences	Write off of assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Exploration and evaluation	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 Group identified a number of indicators of impairment, related to market conditions and the Group's strategic plans. As a result, a number of areas of interest were determined to have a recoverable amount of nil based on a range of market values. As a result of this, the Group has recognised 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.

17. Exploration and evaluation assets (continued)

Australian mining and exploration 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 %

17. Exploration and evaluation assets (continued)

South African mining and prospecting rights

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

18. Deferred tax

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	41,855	42,827
Provision	34,699	21,032
Borrowings	9,919	15,909
Borrowing costs	136	272
Leases	263	61
Other	834	1,044
Offset of deferred tax liability	(48,186)	(56,248)
	39,520	**24,897**
Amounts recognised in equity:		
Transaction costs on share issue	163	163
Deferred tax asset	**39,683**	**25,060**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(45,842)	(46,925)
Exploration and evaluation	(17,129)	(25,564)
Secured deposits	(13,500)	(13,500)
Consumables	(25)	(53)
Other	(872)	-
Offset of deferred tax asset	48,186	56,248
Deferred tax liability	**(29,182)**	**(29,794)**

The deferred tax liability above relates to various South African subsidiaries, net of recognised deferred tax assets which can be legally offset. The deferred tax asset relates to the Australian tax jurisdiction, therefore has not been offset against the deferred tax liability. The deferred tax liability that was brought to account on acquisition of Universal Coal Plc in the prior period was $30.8 million, refer to note 4.

TerraCom Limited and its wholly owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. The head entity, TerraCom Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, TerraCom Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the board principles in AASB 112 Income Taxes.

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
19. Other non-current assets		
Other deposits	13,423	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. The established history with these parties indicate that an expected loss will be immaterial (less than 1%).

20. Ndalamo loan

	2021 $ '000	2020 $ '000
Ndalamo Resources (Pty) Limited - loan receivable	8,691	11,798
Ndalamo Resources (Pty) Limited - loan payable	(9,488)	(19,181)
	(797)	**(7,383)**
Split between current and non-current portions:		
Total receivable	8,691	11,798
Off-set against liability	(4,323)	(11,798)
Total current asset	**4,368**	**-**
Total payable	(9,488)	(19,181)
Off-set against liability	4,323	11,798
Total non-current liability	**(5,165)**	**(7,383)**
Net	**(797)**	**(7,383)**

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 and 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.

The legal agreements signed for the receivable and payable allow for legal off-setting of the amounts. Credit risk was assessed in relation to the receivable and no risk was identified given the agreed legal off-setting together with the receivable balance being lower than the payable balance.

21. Trade and other payables

	2021 $ '000	2020 $ '000
Trade and other payables	127,375	106,770

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

	Consolidated 2021 $ '000	Consolidated 2020 $ '000
22. Borrowings		
Current borrowings		
Listed (Euroclear) bond	222,830	215,098
State Bank of India facilities	5,230	2,880
Investec project finance facility	-	1,222
Capital Harvest project finance facility	-	551
Convertible note facility	26,684	-
Overdraft	210	-
Prepayment facility	2,668	-
Standard Bank of South Africa facilities	15,150	-
	272,772	**219,751**
Non-current borrowings		
State Bank of India facilities	6,240	7,560
Investec project finance facility	-	6,678
Convertible note facility	-	25,366
Standard Bank of South Africa facilities	35,584	-
	41,824	**39,604**

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 8 October 2021, with a redemption value of US$167.1 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.

Refer to events after the reporting period (note 42) for the refinance of these borrowings. The extension of the debt did not result in any covenant breaches for other facilities held.

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 $0.24 million commenced in December 2018 and will continue until November 2021. The monthly principal repayments will then change to $0.37 million from December 2021 to April 2023. A final principal repayment of $0.07 million will be made in May 2023.

Facility 2 (Excavator) – This facility, entered into on 5 March 2021 for $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 $2.00 million term deposit with SBI. Refer to Restricted cash (note 14) for further details.

	Consolidated	
	2021	2020
	$ '000	$ '000

22. 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 was 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 included the option to convert the notes into TerraCom shares at a price of $0.696 per share.

Consistent with the repayment of the Listed (Euroclear) Bond, discussed above, the Company has agreed for the convertible note facility to be repaid as part of the refinance. Accordingly, at 30 June 2021, the option lapsed and this facility has been recorded as current.

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.

	Consolidated	
	2021	2020
	$ '000	$ '000

23. 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 $ '000	2020 $ '000
As at 1 July	4,939	19,571
Additions	1,305	1,799
Accretion of interest	243	1,881
Modifications	(127)	-
Disposals	(2,826)	(11,578)
Payments	(1,370)	(6,606)
Exchange differences	(232)	(128)
	1,932	**4,939**
Current liabilities	1,652	2,273
Non-current liabilities	280	2,666
	1,932	**4,939**

The following are the amounts recognised in profit or loss:

	2021 $ '000	2020 $ '000
Depreciation expense of right-of-use assets	1,283	5,314
Interest expenses on lease liabilities	243	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
Total amount recognised in profit of loss	**1,618**	**9,353**

24. 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 13 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.

24. Provisions (continued)

Reconciliation of provisions - 2021

Mine rehabilitation and closure	Opening balance $ '000	Change in Estimate $ '000	Unwinding of discount $ '000	Rehabilitation performed $ '000	Exchange differences (3) $ '000	Total $ '000
Blair Athol (1)	69,542	541	553	-	-	70,636
Eloff and Kangala	3,744	52	-	-	382	4,178
New Clydesdale Colliery	34,234	1,496	1,066	-	3,897	40,693
North Block Colliery	33,011	336	1,000	(448)	3,393	37,292
Ubuntu Colliery (2)	3,407	7,344	115	-	814	11,680
Australian exploration assets	-	864	-	-	-	864
	143,938	**10,633**	**2,734**	**(448)**	**8,486**	**165,343**

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 16).

(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.

Reconciliation of provisions - 2020

Mine rehabilitation and closure	Opening balance $ '000	Additions through business combinations (note 4) $ '000	Derecognised on sale of Mongolia $ '000	Unwinding of discount $ '000	Exchange differences $ '000	Total $ '000
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)	-	-	-
	71,072	**78,510**	**(1,333)**	**1,367**	**(5,678)**	**143,938**

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liability		
- Annual leave	3,360	1,429
Non-current liability		
- Rehabilitation	165,343	143,938
- Long service leave	2,343	-
	167,686	**143,938**

	Consolidated	
	2021 $ '000	2020 $ '000
25. Financial liabilities		
Current liabilities		
Special interest liability	895	1,026
Non-current liabilities		
Special interest liability	-	420
Derivative liability	-	2,966
	-	**3,386**

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 22. 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 prepayment of the bonds. 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. Refer to note 22 for further details.

Derivative Liability

The convertible note (refer to note 22) includes the option to convert the notes into TerraCom shares at a price of $0.696 per share. The liability was valued at nil at 30 June 2021.

26. Trade and other payables - Non-current liabilities

	2021 $ '000	2020 $ '000
Deferred consideration	1,305	1,726

On 22 February 2019 Universal Coal Development 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.

27. Issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	754,607,630	753,607,630	335,657	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	30 June 2020	58,324,246	$ 0.1457	8,496
Share issuance expense on Universal Coal Acquisition		-	$ 0.0000	(158)
Balance	**30 June 2020**	**753,607,630**		**335,492**
Ordinary shares issued to Wallace King as a share based payment	29 December 2020	1,000,000	$ 0.1650	165
Balance	**30 June 2021**	**754,607,630**		**335,657**

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.

	Consolidated	
	2021	2020
	$ '000	$ '000
28. Reserves		
Foreign currency translation reserve	29,760	5,187
Share-based payments reserve	-	11,911
	29,760	**17,098**

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 30 June 2019	1,843	11,667	13,510
Foreign currency translation	(2,328)	-	(2,328)
Recycle of FCTR on disposal of Mongolian Operations	5,672	-	5,672
Share-based payments expense during the year	-	244	244
Balance at 30 June 2020	**5,187**	**11,911**	**17,098**
Foreign currency translation	24,573	-	24,573
Share-based payments expense during the year	-	60	60
Transfer to accumulated losses	-	(11,971)	(11,971)
Balance at 30 June 2021	**29,760**	**-**	**29,760**

29. Share-based payments

Wallace King AO

Under the terms of the Non-Executive Chairman Appointment Agreement with the Company, Mr Wallace King AO, is remunerated with $150,000 of fully paid Ordinary Shares on an annual basis, in advance, subject to a condition precedent that Shareholders approval be obtained before the shares are issued. The issue price is determined between the parties and outlined in the notice of meeting to shareholders.

Fully paid ordinary shares issued directly to Wallace King AO during the current year (previous year: issued to Point Road Investments Pty Ltd, a nominee of Mr. King) are noted below. Mr. King resigned on 31 March 2021.

	2021	2020
Engagement period	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020
AGM approval date	30 November 2020	19 November 2019
Grant date	29 December 2020	26 November 2019
Number of shares	1,000,000	362,138
Issue Price	$0.15	$0.4142
Fair Value (the value of the shares on the grant date)	$0.165	$0.36

29. Share-based payments (continued)

OCP Asia

The previous debt facilities (Amortising Notes and Convertible Notes facilities) with OCP Asia and others, which have been extinguished, had 12,630,833 detachable warrants issued on 26 February 2016.

These warrants were exercisable at the holder's option in exchange for fully paid ordinary shares in the Company at an exercise price of $0.262 (unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing Price and the Market Price) up until five years from the date of issue.

The key details of these warrants are as follows:

- 12,603,833 detachable warrants.
- Expiry date: five years from the date of issue, being 26 February 2016 (the "warrant maturity date")
- Exercise price is: $0.0262 per share, unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing price and the Market Price.
- Fully transferrable (either in whole or part) to another sophisticated or professional investor.
- Exercisable at holder's option in exchange for shares in the Company.

The warrants expired on 26 February 2021 without being exercised by the holder.

Directors and Executive KMP

FY2019 Options

On 27 November 2018, shareholders at the Company's AGM approved the issue of up to 647,777 options to all Directors who were in office at the date of the meeting. The unlisted ordinary share options were issued on 26 November 2019.

Options totaling 182,062 were forfeited in FY2020 following the resignation of Mr. Togoo and Mr. Forrest. A further 412,901 were forfeited in FY2021 following the resignation of Mr. King, Mr. Anderson, Mr. Soorley and Mr. Wallace. All remaining shares (52,814) were cancelled by a unanimous decision of the Board during FY2021.

On 20 March 2019, 400,000 unlisted share options were granted to Executive KMP, Mr Danny McCarthy and Mr Nathan Boom under the Company's LTI program. The options were granted on the same terms and conditions as the director options granted on 27 November 2018. As per above, these options were also cancelled by a unanimous decision of the Board during FY2021.

FY2020 Options

On 19 November 2019, shareholders at the Company's AGM approved the issue of up to 552,687 options to all Directors who were in office at the date of the meeting.

On 19 November 2019, 360,360 unlisted options were granted to Mr Danny McCarthy and 540,541 options were granted to Mr Nathan Boom under the Company's LTI program. The options were granted on the same terms and conditions as the director options granted on 19 November 2019.

The FY2020 options were never issued as the required vesting conditions relating to performance of the TerraCom share price in comparison to the ASX200 from 1 July 2019 to 30 June 2020 were not met.

Refer to the Remuneration Report for further details regarding the fair value measurement of these options.

The share-based payment applicable to these options has been prorated over the service period and an expense of $224,838 has been recognised within administration expenses in the income statement for the year ending 30 June 2021 (2020: $121,208). Refer to the Remuneration Report for further details regarding the fair value measurement and forfeiture of these options.

29. Share-based payments (continued)

Foster Stockbroking Pty Ltd

On 21 September 2018 1,500,000 unlisted options were issued to Foster Stockbroking Pty Ltd for the provision of institutional research coverage services. The options were issued at a strike price of $0.60.

The cost of these options are measured at fair value on grant date with the fair value being independently determined using the Black- Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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 conditions that do not determine whether the Group receives the services that entitle the consultant to receive payment.

Key inputs to the valuation model to determine fair value are noted below:
- Grant date – 21 September 2018
- Share price - $0.65 as on 21 September 2018
- Exercise price – $0.60
- Risk free rate – 1.795%
- Volatility – 118.47% based on the historical TerraCom Limited volatility as at the Grant Date

The options expired on 31 August 2020 without being exercised by the holder.

Set out below is a summary of the options granted by the Company:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Number of options lapsed / forfeited / cancelled	Balance at the end of the year
20/03/2019	20/03/2024	$ 0.5950	400,000	-	-	(400,000)	-
20/03/2019	20/03/2024	$ 0.4150	400,000	-	-	(400,000)	-
27/11/2018	27/11/2023	$ 0.4150	465,715	-	-	(465,715)	-
26/02/2016	26/02/2021	$ 0.2620	12,630,833	-	-	(12,630,833)	-
21/09/2018	31/08/2020	$ 0.6000	1,500,000	-	-	(1,500,000)	-
			15,396,548	-	-	(15,396,548)	-
Weighted average exercise price			$ 0.3122	$ 0.0000	$ 0.0000	$ 0.3122	$ 0.0000

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Number of options lapsed / forfeited	Balance at the end of the year
19/11/2019	19/11/2024	$ 0.5550	-	540,541	-	(540,541)	-
19/11/2019	19/11/2024	$ 0.5550	-	360,360	-	(360,360)	-
19/11/2019	19/11/2024	$ 0.5550	-	509,444	-	(509,444)	-
20/03/2019	20/03/2024	$ 0.5950	400,000	-	-	-	400,000
20/03/2019	20/03/2024	$ 0.4150	400,000	-	-	-	400,000
27/11/2018	27/11/2023	$ 0.4150	647,777	-	-	(182,062)	465,715
26/02/2016	26/02/2021	$ 0.2620	12,630,833	-	-	-	12,630,833
21/09/2018	31/08/2020	$ 0.6000	1,500,000	-	-	-	1,500,000
			15,578,610	1,410,345	-	(1,592,407)	15,396,548
Weighted average exercise price			$ 0.3134	$ 0.5550	$ 0.0000	$ 0.6086	$ 0.3122

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
30. Accumulated losses		
Accumulated losses at the beginning of the financial year (restated)	(373,736)	(225,115)
Loss after income tax for the year	(84,057)	(150,852)
Dividends paid (note 33)	-	(4,671)
Acquisition of non-controlling interest share in subsidiary	-	6,902
Transfer from share based reserve	11,971	-
Accumulated losses at the end of the financial year	**(445,822)**	**(373,736)**

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
31. Non-controlling interest		
Non-controlling interest	52,901	62,171
Opening Balance (restated)	62,171	4,387
Loss attributable to non-controlling interest	(10,509)	(5,823)
Other comprehensive income attributable to non-controlling interest	4,118	(6,774)
Additions through Business combinations	-	95,951
Acquisition of non-controlling interest share in subsidiary	-	(25,357)
Derecognition of discontinued operations	-	1,277
Dividend from Subsidiary paid to non-controlling interest	(2,879)	(1,490)
	52,901	**62,171**

	Consolidated 2021 $ '000	Consolidated 2020 Restated $ '000
32. Cash flow information		
Loss after income tax for the year	(94,566)	(156,675)
Adjustments for:		
Depreciation and amortisation	42,926	45,731
Write off of non-current assets	33,576	854
Share of loss/(profit) - associates	-	(843)
Share-based payments	60	244
Foreign exchange differences	(223)	(2,857)
Unwinding of the discount on secured deposit	-	(1,179)
Loss on disposal of assets	1,046	-
Interest income	(1,146)	-
Movement in tax balances	(13,839)	(16,412)
IFRS16 adjustments lease modifications	(748)	-
Rehabilitation provision	421	-
Non-cash interest expense	29,005	6,584
Net gain on revaluation of investment in associate	-	(3,190)
Loss on disposal of Mongolia Operations	-	102,124
Changes in working capital:		
Decrease in inventories	8,040	69,450
(Increase)/decrease in trade and other receivables	(14,927)	2,363
(Increase)/decrease in secured deposit	-	26,914
Decrease in financial assets	-	439
Increase in other operating assets	-	(3,847)
Increase/(decrease) in trade and other payables	16,164	(71,421)
Decrease in deferred revenue	-	(16,614)
Increase in other operating liabilities	-	21,109
	5,789	**2,774**

33. Dividends paid

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.

34. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

34. Financial instruments (continued)

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The United States Dollar (USD) is the functional currency of the group except for the Australian exploration, United Kingdom and South African subsidiaries. As a result, currency exposure exists arising from the transaction and balances in currencies other than USD (Australian Dollars and South African Rand). The Group still has an exposure with respect to purchases not denominated or determined by USD - as at reporting date the Group operates in Australia and South Africa and therefore has determined its two largest currency risk exposures are to the Australian Dollar (AUD) and South African Rand (ZAR). The Group closely monitors its foreign exchange risk in Australia and South Africa to ensure it is at an acceptable level of risk.

The Group also has an additional presentation currency exposure as the presentation currency of the financial statements for the Group is in Australian Dollar (AUD). Movements between the functional currency and presentation currency of the Group is recognised in the Foreign Currency Translation Reserve at each reporting date.

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments.

2021	USD strengthened % change	Effect on profit before tax	Effect on equity	USD weakened % change	Effect on profit before tax	Effect on equity
Cash & cash equivalents	1%	9,905	(9,905)	(1)%	(10,039)	10,039
Trade debtors	1%	675	(675)	(1)%	(689)	689
Restricted cash	1%	333,942	(333,942)	(1)%	(340,689)	340,689
Accounts payable	1%	(98,648)	98,648	(1)%	100,641	(100,641)
Borrowings	1%	(85,118)	85,118	(1)%	86,838	(86,838)
		160,756	(160,756)		(163,938)	163,938

2020	USD strengthened % change	Effect on profit before tax	Effect on equity	USD weakened % change	Effect on profit before tax	Effect on equity
Cash & cash equivalents	1%	23,934	(23,934)	(1)%	(24,418)	24,418
Trade debtors	1%	55,047	(55,047)	(1)%	(56,159)	56,159
Restricted cash	1%	445,545	(445,545)	(1)%	(454,545)	454,545
Accounts payable	1%	(174,974)	174,974	(1)%	178,508	(178,508)
Borrowings	1%	(103,366)	103,366	(1)%	105,455	(105,455)
		246,186	(246,186)		(251,159)	251,159

Price risk

Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is continuing to monitor its exposure to commodity price risk. As at reporting date thermal coal and coking coal prices are significantly up since July 2020. There is still uncertainty in the market and the cost to implement an effective hedging strategy to manage the commodity price risk is quite substantial compared to the hedging prices available make this strategy ineffective. On this basis the Group has decided to not implement strategies to reduce its exposure to downside in prices. As commodity prices stabilise and market uncertainty is reduced the Group will consider strategies to manage this risk.

34. Financial instruments (continued)

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2021		2020	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$'000	%	$'000
State Bank of India	5.91 %	11,470	6.63 %	10,440
Capital Harvest project finance facility	- %	-	7.25 %	7,224
Standard Bank of South Africa	7.575 %	50,734	- %	-
Ndalamo Loan payable/receivable	3.25 %	797	3.25 %	7,383
Net exposure to cash flow interest rate risk		63,001		25,047

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carryin g amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested.

It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis.

34. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2021	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	127,375	1,305	-	128,680
Interest-bearing - variable				
Borrowings	273,167	46,461	-	319,628
Other financial liabilities	895	-	-	895
Leases	1,652	437	9	2,098
Total non-derivatives	**403,089**	**48,203**	**9**	**451,301**

2020	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	106,770	1,726	-	108,496
Interest-bearing - variable				
Borrowings (excluding finance lease)	249,672	46,060	-	295,732
Other financial liabilities	1,026	3,386	-	4,412
Leases	2,589	2,473	1,159	6,221
Total non-derivatives	**360,057**	**53,645**	**1,159**	**414,861**

The Group is currently undergoing a refinance of the long-term borrowings, as at the date of this report the long form agreements are not in place. The table above reflects current contractual obligations however the Group may settle these borrowings under a different repayment profile to that as disclosed in the above table.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

35. Fair value information

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value (at 30 June 2021 and 30 June 2020, no assets or liabilities are measured at fair value), using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

Level 3: Unobservable inputs for the asset or liability.

2021	Note	Amortised cost $'000	Fair Value through profit or loss $'000	Fair value through OCI $'000
Assets				
Cash and cash equivalents	11	11,186	-	-
Trade and other receivables	12	67,232	-	-
Restricted cash	14	47,032	-	-
Other assets	19	13,423	-	-
Ndalamo loan receivable	20	4,368	-	-
Total assets		**143,241**	**-**	**-**
Liabilities				
Trade and other payables	21,26	128,680	-	-
Borrowings	22	314,596	-	-
Financial liabilities	25	895	-	-
Ndalamo loan payable	20	5,165	-	-
Total liabilities		**449,336**	**-**	**-**

2020	Note	Amortised cost $'000	Fair Value through profit or loss $'000	Fair value through OCI $'000
Assets				
Cash and cash equivalents	11	10,108	-	-
Trade and other receivables (restated)	12	44,539	-	-
Restricted cash	14	47,647	-	-
Other assets	19	8,253	-	-
Ndalamo loan receivable	20	11,798	-	-
Total assets		**122,345**	**-**	**-**
Liabilities				
Trade and other payables	21,26	108,496	-	-
Borrowings	22	259,355	-	-
Financial liabilities	25	1,446	2,966	-
Ndalamo loan payable	20	19,181	-	-
Total liabilities		**388,478**	**2,966**	**-**

35. Fair value information (continued)

Other than the derivative described below the Group does not have any Level 1, Level 2 or Level 3 financial instruments as at 30 June 2021 or 30 June 2020.

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

Contract	Financial Instrument Classification	Term	Foreign Exchange	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000
Convertible note	Fair value through profit or loss	Expiry December 2022	AUD:USD	-	2,996

36. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Short-term employee benefits	4,577	2,547
Post-employment benefits	88	74
Share based payments	219	227
	4,884	**2,848**

For further detail on the directors and key management personnel remuneration, refer to the Remuneration Report in the Director's Report.

37. Contingent liabilities

The Group had the following contingent liabilities at the end of the financial year:

Springsure Mining Pty Limited

The Springsure Mining Pty Limited (Springsure) Share Sale and Purchase Agreement entered into (for the Group's original 52.52% interest in Springsure) included contingent payments to be made by TerraCom upon each 10Mt of Joint Ore Reserves Committee (JORC) Indicated Resource recorded on the tenement. A partial payment of this amount was made in 2013 upon a JORC Indicated Resource of 43Mt being recorded. An additional $1,800,000 is payable by the Group for every further 10Mt recorded (up to 50Mt more). This amount can be settled in cash or shares.

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

	Consolidated 2021 $ '000	Consolidated 2020 $ '000

38. Capital and leasing commitments

The Group has low-value or short-term (less than 12 months) lease agreements which are not recognised as liabilities as disclosed in note 23.

Exploration and evaluation commitments

	2021 $ '000	2020 $ '000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	548	1,633
One to five years	2,235	4,573
	2,783	**6,206**

The exploration and evaluation commitments for Exploration Permits for Coal (EPCs) are to the Department of Natural Resources, Mines and Energy (Queensland).

39. Related party transactions

Parent entity	TerraCom Limited is the parent entity
Subsidiaries	Interests in subsidiaries are set out in note 41
Associates	Interests in associates include Universal Coal Development VI (Pty) Ltd and Universal Coal Logistics (Pty) Ltd
Key management personnel	Disclosures relating to key management personnel are set out in note 36 and the remuneration report included in the directors' report.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties being, Black Economic Empowerment ("BEE") related parties in South Africa:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current receivables:		
Loan from Ndalamo Resources (Pty) Ltd - Payable to UCEHSA (refer below for details)	4,368	-
Current payables:		
Trade payables to Ndalamo Resources (Pty) Ltd (relates to management fees and not included in the loan payable in note 21)	1,762	-
Non-current payables:		
Loan from Ndalamo Resources (Pty) Ltd	5,165	7,383

	Consolidated 2021 $ '000	Consolidated 2020 $ '000

39. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties being, BEE/minority shareholder related parties in South Africa:

	2021 $ '000	2020 $ '000
Management fees paid to Ndalamo Resources (Pty) Ltd	8,608	1,529
Management fees paid to Mountain Rush Trading 6 (Pty) Ltd	703	352
Facilitation fees paid to Mountain Rush Trading 6 (Pty) Ltd	2,382	1,192
Dividends paid to Ndalamo Resources (Pty) Ltd	1,562	-
Dividends paid to Mountain Rush Trading 6 (Pty) Ltd	1,317	1,490
Interest earned from Ndalamo Resources (Pty) Ltd	1,016	-
Interest expense accrued to Ndalamo Resources (Pty) Ltd	845	-

Loans to/from related parties

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 Payable to Ndalamo from subsidiaries: The development of operations funded by shareholder loan account is proportion to the relevant shareholding in each colliery. The total loans outstanding to Ndalamo Resources(Pty) Ltd at the end of June 2021 was $9.5 million (2020: $19.2 million). The loans payable bear interest at Prime and have no fixed terms of repayment.

Mountain Rush Trading 6 (Pty) Ltd

Fees paid to Mountain Rush Trading 6 (Pty) Ltd relate to facilitation and service fees permitted in the Facilitation and Service Fee Agreement entered into on 6 May 2013 between Mountain Rush Trading 6 (Pty) Ltd, Universal Coal Development I (Pty) Ltd and Universal Coal and Energy Holdings South Africa (Pty) Ltd. The transaction is considered to be at “arms-length”. Mountain Rush Trading 6 (Pty) Ltd is a BEE Partner of Universal Coal and Energy Holdings South Africa (Pty) Ltd.

Payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties, being directors with TerraCom or controlled subsidiaries of the Group:

	2021 $ '000	2020 $ '000
Trade payables to The Maji Trust - James Soorley (director fees)	-	10
Trade payables to Lewis Mining Consulting - Glen Lewis (director fees)	10	10

Transactions with related parties

The following transactions occurred with related parties, being directors with TerraCom or controlled subsidiaries of the Group:

	2021 $ '000	2020 $ '000
Ordinary shares issued to Wallace King AO. Prior period issued to Point Road Investments (Pty) Ltd (Refer note 29)	165	130
Services from The Maji Trust - James Soorley	79	120
Services from Lewis Mining Consulting - Glen Lewis	194	49
Services from OT21 Consulting – Shane Kyriakou	113	-
Services from Craig Lyons	230	-
Lease income received from Eloff Farming Enterprise (Pty) Ltd	-	533
Rent expense to KEE Property Investment (Pty) Ltd	-	46

	Consolidated	
	2021	2020
	$ '000	$ '000

39. Related party transactions (continued)

Point Road Investments Pty Ltd (Point Road)

The issue of fully paid ordinary shares to Point Road were part of Wallace King AO's Non-Executive Chairman remuneration package. Refer to Note 29 for further details.

The Maji Trust (Maji)

The payments made by the Company to Maji are for the services of Mr James Soorley acting as Non-Executive, Independent Director (appointed 8 March 2017, resigned 13 July 2020). There were no amounts outstanding to Mr. Soorley at 30 June 2021 (30 June 2020: $10,000).

Lewis Mining Consulting (Lewis Mining)

The payments made by the Company to Lewis Mining are for the services of Mr Glen Lewis acting as Non-Executive Director (appointed 23 December 2019) and for additional advisory services. The amount payable to Lewis Mining on 30 June 2021 is $10,000 (30 June 2020: $10,000).

OT21 Consulting

The payments made by the Company to OT21 Consulting are for the services of Mr Shane Kyriakou acting as Non-Executive Director (appointed 7 September 2020) and for additional advisory services.There were no amounts outstanding to OT21 Consulting on 30 June 2021 (30 June 2020: nil).

Craig Lyons

The payments made by the Company to Mr Craig Lyons are for his services acting as Non-Executive, Independent Director (appointed 14 July 2020) and for additional advisory services. There were no amounts outstanding to Mr. Lyons on 30 June 2021 (30 June 2020: nil).

KEE Property Investment (Pty) Ltd

A lease agreement was renewed with KEE Property Investment (Pty) Ltd on 6 December 2018 for the UCHESA head office rental in South Africa. Mr Henri Bonsma (previous director of Universal Coal Plc) and Mr Tony Weber (previous director of Universal Coal Plc and previous CEO of UCHESA) each owns 18% of KEE Property Investment (Pty) Ltd. The period of the lease is for 5 years at a market related rental of $18,000 per month with an annual escalation clause of 8% per annum.

Eloff Agricultural and Mining Company (Pty) Ltd

Eloff Agricultural and Mining Company (Pty) Ltd (Eloff), entered into a long-term lease with Eloff Farming Enterprise (Pty) Ltd (EFE) for certain portions of the land not dedicated to mining within at Eloff from 20 September 2019. Eloff Farming Enterprise is 70% owned by Bonsma Enterprise (Pty) Ltd. Mr Henri Bonsma is the sole owner of the Bonsma Enterprises (Pty) Ltd. Mr Henri Bonsma was a director of Universal Coal Plc until 1 April 2020 and served as a director of Eloff until 14 July 2020. The transaction is considered to be at “arms-length”. The term of the lease is 9 years and 11 months at ZAR 5.6 million for 12 months ending August 2029, and escalates at 6.5% per annum.

Terms and conditions

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

40. Parent entity information

Set out below is the supplementary information about the parent entity

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $ '000	2020 $ '000
Loss after income tax	(43,172)	(118,827)
Other comprehensive income for the year, net of tax	(5,861)	(821)
Total comprehensive income	(49,033)	(119,648)

Statement of financial position

	Parent	
	2021 $ '000	2020 $ '000
Total non-current assets	179,285	36,339
Total current assets	762	215,427
Total assets	180,047	251,766
Total non-current liabilities	-	29,500
Total current liabilities	260,453	233,837
Total liabilities	260,453	263,337
Net assets/(liabilities)	(80,406)	(11,571)
Equity		
Issued capital	334,932	334,782
Foreign currency translation reserve	(3,284)	2,577
Share-based payments reserve	-	11,911
Accumulated losses	(412,054)	(360,841)
Total deficiency	(80,406)	(11,571)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

41. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
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 and Energy Holdings 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 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 and 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.

*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.

41. Interests in subsidiaries (continued)

*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.

41. 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:

			Parent		Non-controlling interest	
	Principal place of business / Country of incorporation		Ownership interest	Ownership interest	Ownership interest	Ownership interest
Name		Principal activities	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 %
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 %
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 %

41. Interests in subsidiaries (continued)

30 June 2021	Universal Coal Development I (Pty) Ltd $'000	Universal Coal Development III (Pty) Ltd $'000	Universal Coal Development IV (Pty) Ltd $'000	North Block Complex (Pty) Ltd $'000	Clyde Park Coal (Pty) Ltd $'000
Current assets	705	28,976	33,450	31,247	1
Non-current assets	1,413	21,788	101,236	98,156	-
Current liabilities	(5,487)	(25,061)	(33,609)	(18,803)	-
Non-current liabilities	(4,178)	(20,168)	(68,867)	(57,123)	(2,599)
Revenue	(55,247)	(54,311)	(156,024)	(138,756)	-
Profit/(Loss)	(8,584)	(259)	(12,676)	10,955	(18,338)
Total comprehensive income	(4,610)	(335)	(6,770)	5,629	(18,338)
Profit/(Loss) allocated to non-controlling interest	(2,532)	(132)	(6,465)	5,587	(6,528)
Other comprehensive income allocated to non-controlling interest	3,974	(75)	5,906	(5,326)	-

30 June 2020	Universal Coal Development I (Pty) Ltd $'000	Universal Coal Development III (Pty) Ltd $'000	Universal Coal Development IV (Pty) Ltd $'000	North Block Complex (Pty) Ltd $'000	Clyde Park Coal (Pty) Ltd $'000
Current assets	4,879	5,781	12,163	6,353	2
Non-current assets	1,429	3,917	40,434	41,939	15,741
Current liabilities	(3,478)	(4,256)	(7,503)	(3,488)	-
Non-current liabilities	(1,071)	262	(21,006)	(23,741)	-
Revenue	(7,511)	(6,179)	(18,353)	(12,000)	-
(Loss)/Profit	(3)	1,163	(5,332)	(786)	(190)
Total comprehensive income	-	-	-	-	-
(Loss)/Profit allocated to non-controlling interest	(60)	565	(3,017)	47	(68)
Other comprehensive income allocated to non-controlling interest	286	205	1,490	2,065	-

42. Events after the reporting period

As announced to the ASX on 21 September 2021, the Company has obtained an extension of the Euroclear Bond maturity date to 8 October 2021. In the event the refinance program is not settled by 8 October 2021, then the Company, Note Trustee and Ordinary Noteholders will enact a restructured finance arrangement of the existing debt. This restructuring requires the principal and interest to be paid monthly up to the facility's extended maturity date, being 31 December 2022, on commercial terms consistent with the existing facility (interest rate of 12.5% per annum, special interest of 0.75% of Blair Athol revenue). The monthly repayment quantum to be made is subject to an agreed cash sweep based on the Company's financial performance.

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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Craig Ransley	**Danny McCarthy**
Executive Chairman	**Managing Director**

7 October 2021
Sydney

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Independent auditor's report to the members of TerraCom Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of TerraCom Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 in the financial report, which indicates that the Group has a significant current liability position at 30 June 2021 due in large part to its requirement to refinance its Listed Euroclear Bond and Convertible Note Facility. These facilities were originally due for repayment on 30 June 2021, but have since been deferred to 8 October 2021. The Group is in the process of refinancing these obligations and should this not be completed by 8 October 2021, an extension of the existing facilities has been granted by the lenders to 31 December 2022, subject to the completion of long form legal documentation by 30 November 2021. This condition, along with other matters set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying Value of the South African Mining Cash Generating Units

Why significant	How our audit addressed the key audit matter
At 30 June 2021 the Group's South African mining cash generating units ("CGUs") had a combined carrying amount of $200.1 million. Australian Accounting Standards require the Group to assess whether there are any indicators that its non-current assets may be impaired. If such indicator exists, the Group must estimate the recoverable amount of the asset. At 30 June 2021, the Group determined indicators of impairment were present for its South African mining CGUs and estimated the recoverable amount of the CGUs using a fair value less cost of disposal ("FVLCD") approach. The Group's analysis concluded that no impairment was required. As disclosed in Note 16, the estimate of FVLCD involves significant judgment and is based on modelling a range of forecast assumptions and estimates which are inherently difficult to determine with precision. Such forecasts include export and South African domestic thermal coal demand, future export thermal coal pricing, foreign exchanges rates and reserves and resources.	Our audit procedures were completed with the assistance of our valuation experts. In performing our procedures, we: ▸ Evaluated the Group's identification of its CGUs and its quantification of the carrying amount of its CGUs. ▸ Considered whether indicators of impairment were present for each CGU. ▸ Evaluated whether the methodology applied in determining FVLCD complied with the requirements of the Australian Accounting Standards and generally accepted industry practice. ▸ Assessed the mathematical accuracy of the valuation models, the recoverable amount calculation, the carrying value, and the headroom determined by the models. ▸ Assessed the macroeconomic assumptions adopted, including forecast South African export thermal coal price and forecast foreign exchange rates, with reference to broker consensus data. ▸ Evaluated the discount rate with reference to external market data including South African government bond rates and South African market data.

Why significant	How our audit addressed the key audit matter
Export demand and pricing is a significant assumption used in impairment testing and is inherently subjective. In times of economic uncertainty, as the COVID-19 pandemic has brought, the degree of subjectivity in determining forecast demand and pricing is higher than it might otherwise be. Changes in these assumptions can result in significant changes to the recoverable amount. Due to the significance of the carrying amount of the South African mining CGUs relative to total assets and the complexity and level of judgment required in forecasting future cash flows, we considered this to be a key audit matter.	▶ Evaluated the production profile, operating cost data and capital expenditure forecasts, with reference to third party expert forecasts prepared as part of the prior year acquisition accounting and recent production, operating and cost data. ▶ Considered deviations from budget including the reasons for these differences, and the impact on the forecast cash flows. ▶ Understood the Group's process for measuring its coal reserve and resources, including its internal technical review process (by a competent person under the JORC code 2012) and the review performed by an independent third-party expert as part of the finalisation of the prior year acquisition accounting. ▶ Evaluated the qualifications, competence and objectivity of the experts used by the Group to determine the coal production forecasts and coal reserve and resource estimates. ▶ Undertook sensitivity analysis to understand the impact to recoverable amount in respect of reasonably possible changes in key assumptions. ▶ Cross checked the valuations to resource multiples appropriate to the assets. ▶ Cross checked the total Group net assets to market capitalisation. ▶ Considered the adequacy of the related disclosures in the notes to the financial statements.

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2. South African Operations – Reliance on Non-EY component team

Why significant	How our audit addressed the key audit matter
As detailed in Note 3 to the financial report, the Group has significant operations outside of Australia, in South Africa. These decentralised operations require adequate monitoring activities from a financial reporting perspective. In our role as group auditor, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities ("components") within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. Given the financial significance of components to the Group result, our direction and supervision of the component audit team in South Africa, being a non- EY component team ("Component Auditor") was considered a key audit matter.	In fulfilling our responsibilities as group auditor: ▸ We performed a risk assessment and component scoping at the consolidated group level and, based on this scoping, identified the components required to be audited by the Component Auditor. ▸ We sent instructions to the Component Auditor detailing significant audit areas to be covered, including the relevant risks and the information to be reported to the Group audit team. The Group audit team approved the component materiality, having regard to the size and risk profile of the component relative to the Group. ▸ The Component Auditor provided written confirmation to the Group audit team confirming the work performed and the results of that work as well as key documents supporting independence, significant findings and observations. ▸ To ensure sufficient oversight, we, as the Group audit team: o Held meetings with the Component Auditor to discuss the outcome and extent of their procedures. o Reviewed underlying working papers and documentation of the Component Auditor for selected areas of audit focus. o Engaged EY South Africa's valuation and tax specialists, to assist in the review of the Component Auditor's work. o Engaged EY South Africa's mining and reserve specialists to undertake site tours of the Group's South African operating mines to confirm our understanding of the operations. o Undertook our own detailed assessment of asset carrying values, as outlined above.

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Why significant	How our audit addressed the key audit matter
	▸ We, as the Group audit team, ensured the trial balance and related supporting schedules audited by the Component Auditor agreed to the Group consolidation schedule and where relevant financial statement notes. ▸ We assessed the accounting policies of the components for consistency with the Group's accounting policies and tested the Group's accounting for intercompany transactions.

3. Carrying Value of Australian Exploration and Evaluation Assets

Why significant	How our audit addressed the key audit matter
At 30 June 2021, the Group recorded an impairment charge of $33.6 million in respect of its Australian Exploration and Evaluation ("E&E") assets, relating to thermal coal projects in the Galilee basin in Queensland, Australia. In accordance with the Group's accounting policy outlined in Note 1, E&E assets are initially recognised at cost and any additional expenditure is capitalised to the exploration asset. At each reporting date the Group assesses its E&E assets for indicators of impairment in line with the Australian Accounting Standards. As described in note 17, as a result of the Group's shift in the focus of its operations to South Africa, the Group has determined there are indicators of impairment for all of its Australian E&E assets with the exception of one exploration site. For E&E assets where indicators of impairment were identified the carrying value of these assets has been impaired to $nil. Given the amount of this write down and the judgment involved in the assessment of indicators of impairment, we consider this a key audit matter.	Our audit procedures included the following: ▸ Assessed the completeness of the Group's analysis of indicators of impairment. ▸ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements. ▸ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration areas by reviewing the Group's exploration budgets, and relevant enquiries of senior management within the Group as to their intentions and exploration strategy. ▸ For E&E assets where indicators or impairment were identified, assessed the impairment charge recorded by considering the carrying amount of the E&E assets and the Group's expectation as to the amount that would be to recovered through sale. ▸ For E&E assets where no impairment indicators were identified, compared the carrying amount of the E&E assets to an external valuation report obtained by the Group and resource multiples achieved in recent comparable market transactions. ▸ Assessed of the adequacy of the associated disclosures in the financial report.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of TerraCom Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
7 October 2021

SECTION 5

ASX ADDITIONAL SHAREHOLDER INFORMATION

IN THIS SECTION

Additional shareholder information 139

Blair Athol

ADDITIONAL SHAREHOLDER INFORMATION FOR LISTED PUBLIC COMPANIES As at 28 September 2021

DISTRIBUTION OF SHAREHOLDINGS

Range	Securities	%	No. of shareholders	%
100,001 and Over	720,402,037	95.47	264	8.77
10,001 to 100,000	29,018,234	3.85	845	28.08
5,001 to 10,000	2,809,137	0.37	378	12.56
1,001 to 5,000	2,085,134	0.28	778	25.86
1 to 1,000	293,088	0.04	744	24.73
Total	754,607,630	100.0	3,009	100.0
Unmarketable parcels	1,545,720	0.15	1,204	40.01

TWENTY LARGEST SHAREHOLDERS

Rank	Name	28 September 2021	%IC
1	CS THIRD NOMINEES PTY LIMITED	**163,626,581**	21.68
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**94,723,589**	12.55
3	BONYTHON COAL NO 1 PTY LTD	**78,819,723**	10.45
4	BNP PARIBAS NOMINEES PTY LTD	**37,507,254**	4.97
5	UBS NOMINEES PTY LTD	**37,102,922**	4.92
6	AFRICAN MINERALS EXPLORATION & DEVELOPMENT FUND SICAR	**34,203,104**	4.53
7	BNP PARIBAS NOMS PTY LTD	**27,681,224**	3.67
8	COAL DEVELOPMENT HOLDING BV	**23,501,400**	3.11
9	RASIA MANAGEMENT	**17,543,860**	2.32
10	CS FOURTH NOMINEES PTY LIMITED	**16,234,977**	2.15
11	CITICORP NOMINEES PTY LIMITED	**13,395,851**	1.78
12	BELL POTTER NOMINEES LTD	**7,500,000**	0.99
13	MR FREDERICK BART	**6,287,969**	0.83
14	MR ANTON WEBER	**5,751,762**	0.76
15	BRIAR PLACE PTY LIMITED	**5,500,000**	0.73
16	BART SUPERANNUATION PTY LIMITED	**4,629,470**	0.61
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	**4,006,006**	0.53
18	SHINING SUN INVESTMENTS PTY LTD	**3,449,011**	0.46
19	MR HENDRIK WILLEM BONSMA	**3,435,659**	0.46
20	BNP PARIBAS NOMS PTY LTD	**3,385,221**	0.45
		588,285,583	77.96

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed in substantial notices given to the Company are as follows:

Shareholder	Shares Held	% of issued capital
OCP Asia (Hong Kong) Limited	92,867,007	12.31
Bonython Coal No. 1 Pty Ltd	78,819,723	10.45
Rainbow Max Limited	70,359,573	9.32
Javelin Global Commodities (Singapore)	64,316,368	8.52

VOTING RIGHTS

All issued shares carry voting rights on a one for one basis

UNLISTED SECURITIES

Security Type	Security Class	Number	Number of Holders
Convertible Bond	1	41,050,903	1

NOTES

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