

31 January 2024

## December 2023 Quarterly Activities Report

TerraCom Limited (**TerraCom** or the **Company**) (ASX: TER), is pleased to present its quarterly activities report for the three (3) months ended 31 December 2023 (**December Quarter**).

### HIGHLIGHTS

- Total coal sales<sup>1</sup> of 1.5Mt.
- Total Equity coal sales<sup>2</sup> of 965kt.
- Blair Athol (**BA**)
  - ROM production of 546kt, 13% above the September Quarter result.
  - Coal sales of 418kt and stocks of saleable coal at the end of the reporting period were 38kt.
  - Sales guidance for BA is 1.8Mt – 2.0Mt for the 12 months ending 30 June 2024.
  - Average coal price of \$159 per sold tonne achieved in the December Quarter, compared to \$176 per sold tonne in the September Quarter.
- Operating EBITDA<sup>3</sup> of \$24.1million for the December Quarter.
  - BA achieved an operating EBITDA<sup>4</sup> of \$18.4 million resulting in an operating cash margin of \$43.9 per sold tonne.
  - The South African operations achieved an operating EBITDA<sup>5</sup> of \$5.7 million resulting in an operating cash margin of \$4.4 per sold tonne.
- TerraCom held closing cash at bank<sup>6</sup> of \$21.6 million plus restricted cash of \$56.4 million.

### MD Comments

*Managing Director, Danny McCarthy*

*"Management remains focused on delivering exceptional safety outcomes and whilst we strive for zero harm, the overall safety performance of the Group is tracking better than industry average.*

*Whilst BA quarter on quarter ROM production improved, the operation was impacted by a geological event, significant rainfall in November, reliability issues with a primary production excavator and challenges associated with logistics network scheduling."*

### Chair Comments

*Chairman, Mark Lochtenberg*

*"With current operational challenges, including significant wet weather and related issues, and payment of income tax obligations, together with short-term softening of thermal coal prices, the Board has determined there will be no dividend declared for the 3 months ended 31 December 2023.*

*We remain confident in the long run thermal coal price outlook and our ability to manage costs and overcome challenges. We will further update shareholders on expected dividends as part of our March Quarterly Reporting."*



## SAFETY

Group safety performance for the December quarter was reviewed with the lost time injury frequency rate (**LTIFR**) decreasing from 0.7 to 0.4, a reduction of 42% quarter on quarter (qoq). The total recordable injury frequency rate (**TRIFR**) also decreased from 1.7 to 1.0, a reduction of 41% qoq.

## PRODUCTION AND SALES RESULTS

Total coal sales<sup>1</sup> for the December Quarter were 1.5Mt, a reduction of 24% on the September Quarter.

Blair Athol faced a number of production challenges which impacted reported sales for the period. South Africa faced higher than expected seasonal average rainfall, expected annual festive season slowdown and ongoing logistics constraints which negatively impacted both train and truck availability during the December Quarter.

Total Equity coal sales<sup>2</sup> were down 12% with total equity coal stocks at the end of the period up 2%.

### TOTAL TONNES<sup>1</sup> (CONTINUING OPERATIONS)

	DECEMBER QUARTER			SEPTEMBER QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	418	-	418	426	-	426
South Africa	185	932	1,117	237	1,361	1,598
<b>Total</b>	<b>603</b>	<b>932</b>	<b>1,535</b>	<b>663</b>	<b>1,361</b>	<b>2,024</b>

### EQUITY TONNES<sup>2</sup> (CONTINUING OPERATIONS)

	DECEMBER QUARTER			SEPTEMBER QUARTER		
	Export (000's)	Domestic (000's)	Total (000's)	Export (000's)	Domestic (000's)	Total (000's)
Australia	418	-	418	426	-	426
South Africa	91	456	547	116	667	783
<b>Total</b>	<b>509</b>	<b>456</b>	<b>965</b>	<b>542</b>	<b>667</b>	<b>1,209</b>



## OPERATIONS

### AUSTRALIA BUSINESS UNIT

#### Blair Athol (BA) – 100% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2023 QTR	Dec 2022 QTR	Change %	Dec 2023 QTR	Sept 2023 QTR	Change %
<b>ROM Coal Production</b>	546	602	(9%)	546	482	13%
<b>Saleable Coal</b>	385	507	(24%)	385	399	(4%)
<b>Coal Sales</b>	418	500	(16%)	418	426	(2%)
<b>Inventory (ROM)</b>	26	45	(42%)	26	0	>100%
<b>Inventory (Saleable)</b>	38	46	(18%)	38	70	(46%)

Production at Blair Athol during the December Quarter was negatively impacted by geological challenges and equipment issues with a primary production excavator. Geological challenges resulted in a substantial change to the mining sequence in the month of October and significant rainfall of approximately 370mm in November, saw the operation lose a number of production days.

During the December Quarter, there was significant demand for rail services across the network utilised by TerraCom to rail its coal from BA to Dalrymple Bay Coal Terminal (**DBCT**). The impact of weather, network closures and ongoing service cancellations disrupted scheduled coal railings and increased our exposure to the vessel cue at DBCT.

Demand for BA Thermal Coal remains firm in our core markets with both long-term and emerging trading partners. Overall performance of the thermal coal market in the December quarter was positive and saleable coal production from BA continues to be strongly supported by the market through a combination of index linked and fixed price sales.

Sales guidance for the BA operation is 1.8Mt – 2.0Mt for the 12 months ending 30 June 2024.

### SOUTH AFRICA BUSINESS UNIT

Thousands of tonnes (kt)	Dec 2023 QTR	Dec 2022 QTR	Change %	Dec 2023 QTR	Sept 2023 QTR	Change %
<b>ROM Coal Production</b>	1,776	2,269	(22%)	1,776	1,973	(10%)
<b>Saleable Coal</b>	1,240	1,596	(22%)	1,240	1,558	(20%)
<b>Coal Sales</b>	1,117	1,555	(28%)	1,117	1,598	(30%)
<b>Inventory (ROM)</b>	324	331	(2%)	324	221	46%
<b>Inventory (Saleable)</b>	254	169	50%	254	151	69%

Total Coal Sales of 1.1Mt was below expectation, reflecting a reduction of 28% on the prior corresponding period and a reduction of 30% on the September Quarter.



### New Clydesdale Colliery (NCC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2023 QTR	Dec 2022 QTR	Change %	Dec 2023 QTR	Sept 2023 QTR	Change %
ROM Coal Production	892	864	3%	892	853	5%
Saleable Coal	535	579	(8%)	535	602	(11%)
Coal Sales	449	645	(30%)	449	664	(32%)
Inventory (ROM)	176	150	17%	176	78	>100%
Inventory (Saleable)	225	59	>100%	225	127	77%

NCC recorded slight improvement in ROM production during the December Quarter, up 5%, however coal sales were 215kt (32%) down on the September Quarter.

Momentum continued with respect to Eskom deliveries early in the quarter, however sales in the month of December were low and the colliery ended up with total domestic sales for the December Quarter of 332kt, a result 37% down on the September Quarter. Export coal sales were 117kt, compared to 135kt achieved in the September Quarter.

### North Block Complex (NBC) – 49% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2023 QTR	Dec 2022 QTR	Change %	Dec 2023 QTR	Sept 2023 QTR	Change %
ROM Coal Production	884	1,031	(14%)	884	1,120	(21%)
Saleable Coal	705	753	(6%)	705	956	(26%)
Coal Sales	668	745	(10%)	668	934	(28%)
Inventory (ROM)	148	151	(2%)	148	144	3%
Inventory (Saleable)	29	71	(59%)	29	24	21%

ROM coal production for NBC was 884kt, a 21% decrease on the September Quarter.

Total export coal sales for the December Quarter were 68kt, a decrease of 40kt from the June Quarter, or 37% and deliveries to Eskom were 600kt for the December Quarter, a result 27% below the 832kt achieved in the September Quarter. The annual festive slowdown in the latter half of December, coupled with the ongoing logistics constraints negatively impacted the month of December.



## Ubuntu Colliery – 48.9% EQUITY INTEREST

Thousands of tonnes (kt)	Dec 2023 QTR	Dec 2022 QTR	Change %	Dec 2023 QTR	Sept 2023 QTR	Change %
ROM Coal Production	-	374	(100%)	-	-	-
Saleable Coal	-	264	(100%)	-	-	-
Coal Sales	-	165	(100%)	-	-	-
Inventory (ROM)	-	30	(100%)	-	-	-
Inventory (Saleable)	-	39	(100%)	-	-	-

As previously outlined to shareholders, the Eskom Coal Supply Agreement (**CSA**) for the Ubuntu colliery concluded on 31 December 2022 resulting in the colliery officially moving into care and maintenance during February 2023.

Despite the CSA not being renewed and the mine being placed on care and maintenance, the colliery continues to explore other coal sales opportunities.

## FINANCIAL PERFORMANCE

The operating EBITDA<sup>3</sup> from the Australian and South African Business Units (including other equity holders) for the December Quarter and prior quarter is as follows:

	Operating EBITDA <sup>3</sup> (AUD \$million)		Operating EBITDA <sup>3</sup> (AUD\$ / Sold Tonne)	
	Dec 2023 Quarter	Sept 2023 Quarter	Dec 2023 Quarter	Sept 2023 Quarter
Australia	18.4	20.5	43.9	48.3
South Africa	5.7	14.7	4.4	9.2
<b>Group</b>	<b>24.1</b>	<b>35.2</b>		

There was a further softening of export coal prices during the December Quarter and coupled with reduced coal sales in both Australia and South Africa, the operating EBITDA<sup>3</sup> for the December Quarter was \$24.1 million, a reduction of 31% compared to the September Quarter.

BA production costs for Q2 FY24 were down 10% on the September Quarter at approximately \$115 per tonne. Reduced coal sales on a year-to-date basis continue to reflect a higher cost per tonne than forecast and management continue to focus on cost containment for the operation.

The South Africa EBITDA result was negatively impacted by the low coal sales across both NCC and NBC for the December Quarter and we look forward to improved results in Q3 FY24 as South Africa returns to normal activities.



## References

1. **Total Tonnes** – The data represents total tonnes and assumes 100% ownership of the South African operations, noting TerraCom's interest in the operating mines ranges from 48.9% to 49.0%.
2. **Equity Tonnes** – The data represents equity tonnes, being the attributable tonnes to the TerraCom's equity ownership.
3. **Operating EBITDA** – Non IFRS measure. Based on management accounts. The data presented represents the Australian Business Unit, and 100% of the result from the South Africa Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the South African operating mines ranges from 48.9% to 49.0%. The data presented does not include the TerraCom corporate costs. This number does not represent the Operating EBITDA to be reported in accordance with IFRS from a consolidation point of view.
4. **Australian Operating EBITDA** – Non IFRS measure. Based on management accounts. The data presented does not include the results from the South African Business unit or TerraCom corporate costs.
5. **South African Operating EBITDA** – 100% of the result from the South African Business Unit and therefore includes other equity holders, noting TerraCom's equity interest in the operating mines ranges from 48.9% to 49.0%. In accordance with IFRS, the South African business unit is reported as an Investment in Associate. Given this, the South African Operating EBITDA presented within this report will not be disclosed in the Consolidated Statement of Comprehensive Income.
6. **Cash at Bank** – amount includes \$15.7 million cash held by TerraCom Limited, as parent entity, cash held by all Australian subsidiaries and cash held by Universal Coal Holdings South Africa (Pty) Ltd (wholly owned subsidiary of TerraCom), plus \$5.8 million cash attributable to TerraCom from other South African subsidiaries based on the equity interest held by TerraCom. This number does not represent the cash amount to be reported in accordance with IFRS from a consolidation point of view.



## MINING TENEMENTS HELD AT THE END OF THE QUARTER

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

\* Tenement relinquished following non-renewal on expiry date during the financial year ended 30 June 2023

This announcement has been approved by the board for release.

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## About TerraCom Limited

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

## FORWARD LOOKING STATEMENT

This document contains summary information about, TerraCom, its subsidiaries, and its activities which are current as at the date of this document. The information in this document is general in nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in TerraCom or that would be required in a prospectus or product disclosure statement prepared in accordance with the Corporations Act 2001 (Cth). Information in this document should therefore be read in conjunction with other announcements made by TerraCom to the ASX.

All numbers presented with a \$ or A\$ represent the Company's presentation currency, being Australian dollars.

Operating EBITDA results reported, unless stated, represent 100% of the result from the South Africa Business Unit and therefore includes other equity holders. TerraCom's equity interest in the operating mines ranges from 48.9% to 49.0%. The operating EBITDA data presented does not include the TerraCom corporate costs.

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