

# Financial Report FY2023



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# TerraCom



# Corporate Information

## Registered Office

Blair Athol Mine Access Road, Clermont, Queensland, 4721,  
Australia

## Contact Address

PO Box 131, Clermont, Queensland, 4721, Australia

## Website

www.terraresources.com

## Country of Incorporation

Australia

## ABN

35 143 533 537

## Stock Exchange Listing

Australian Securities Exchange Ltd

ASX Code: TER

## People

### Directors

**Mark Lichtenberg** (Non-Executive Chairman)

**Danny McCarthy** (Managing Director)

**Glen Lewis** (Non-executive Director)

**Craig Lyons** (Non-executive Director)

**Mark Ludski** (Non-executive Director)

### Executive Management

**Megan Etcell** (Chief Financial Officer & Company Secretary)

**Nathan Boom** (Chief Commercial Officer)

## Service Providers

### Share Registry

Link Market Services Limited

Level 12, 680 George Street, Sydney, New South Wales, 2000,  
Australia

### Telephone

+61 1300 554 474

### Email

registrars@linkmarketservices.com.au

### Auditors

BDO Audit Pty Limited

Level 10, 12 Creek Street, Brisbane, Queensland, 4810,  
Australia

# Contents

<b>Appendix 4E</b>	<b>1</b>
<b>Directors' Report</b>	<b>3</b>
Principal Activities	4
Director's Interests	7
Meetings of Directors	7
Operating and Financial Review	8
Auditor Independence and non-audit services	21
Auditor's Independence Declaration	22
<b>Remuneration Report</b>	<b>23</b>
<b>Financial Report</b>	<b>37</b>
Consolidated statement of profit or loss	38
Consolidated statement of other comprehensive income	39
Consolidated statement of financial position	40
Consolidated statement of changes in equity	42
Consolidated statement of cash flows	43
Notes to the consolidated financial statements	44
Directors' declaration	105
Independent Auditor's report	106



# Appendix 4E and Annual Financial Report

Name of entity: **TerraCom Limited**

ABN: **35 143 533 537**

Reporting Period: **For the year ended 30 June 2023**

Previous Period: **For the year ended 30 June 2022**

## Results for announcement to the market for the year ended 30 June 2023

			A\$'000
Revenue from ordinary activities	down	18%	660,639
Profit from ordinary activities for the year after income tax	up	5%	262,493
Profit for the year after income tax attributable to the owners of TerraCom Limited	up	34%	262,097

## Dividends

### Paid during the year

Dividends of \$244 million were paid to shareholders during the year ended 30 June 2023 (2022: Nil).

	Declaration Date	Paid Date	Amount (cents per share)	Franked Amount (cents per share)
2022 Final Dividend	26 August 2022	19 September 2022	\$0.10	\$0.00
September 2022 Quarterly Dividend	17 November 2022	9 December 2022	\$0.10	\$0.10
December 2022 Quarterly Dividend	27 February 2023	23 March 2023	\$0.075	\$0.075
March 2023 Quarterly Dividend	31 May 2023	27 June 2023	\$0.03	\$0.03

### Declared after end of year

On 31 August 2023, the Directors declared a fully franked final dividend of 3 cents per share totalling \$24 million to be paid on 28 September 2023. The dividend is to be paid to shareholders registered as at 11 September 2023.

## Net Tangible Assets

	Reporting Period (cents)	Previous Period (cents)
Net tangible assets per ordinary security	20.96	16.76

## Control gained or lost over entities

### Details of associated and joint venture entities which control has been lost

In accordance with AASB10, control was lost over Universal Coal Development VIII (Pty) Limited (UCDVIII). The percentage of ownership is unchanged at 49%.

### Control gained over entities

No change since 30 June 2022.

### Audit qualification or review

The report is based on the audited financial statements of the Company and its controlled entities.

### Attachments and additional information

Additional information can be obtained from the attached financial statements, accompanying notes and Directors' report.

This announcement has been approved by the Board for release.

For further enquiries please contact:

#### **Danny McCarthy**

Managing Director

P +61 7 4983 2038

E [info@terracomresources.com](mailto:info@terracomresources.com)

#### **Megan Etcell**

CFO and Company Secretary

P +61 7 4983 2038

E [info@terracomresources.com](mailto:info@terracomresources.com)

### **About TerraCom Limited**

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



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# Directors' Report

For the year ended 30 June 2023



# 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



**Mark Lochtenberg**

**Non-Executive Chairman**

*Chair of Remuneration Committee*

*Appointed 28 January 2022*



**Danny McCarthy**

**Managing Director**

*Member of HSEC Committee*

*Appointed 1 April 2021 (Chief Executive Officer from 1 December 2018 to 31 March 2022)*



**Glen Lewis**

**Non-Executive Director**

*Chair of HSEC Committee*

*Member of Audit Committee*

*Member of Remuneration Committee*

*Appointed 23 December 2019*

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, UK and has been actively involved in the coal industry for more than 25 years. He was the Executive Chairman and founding Managing Director of ASX Listed Cockatoo Coal Limited. He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal. Prior to this, Mr Lochtenberg established a coal "swaps" market for Bain Refco, (Deutsche Bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited. Mr Lochtenberg is currently Chairman of ASX Listed silver and gold producer Equus Mining Limited (ASX: EQE), ASX Listed Nickel Industries Ltd. (ASX: NIC) and Chairman of Montem Resources Limited. Former ASX Directorships in the last three years: Nil

Mr McCarthy is a highly experienced and well-regarded mining executive having held senior executive roles with Thiess, Wesfarmers (ASX: WES), QCoal and Mineral Resources Limited (ASX: MIN) and has a proven record of delivering extraordinary results over 26-years in the mining, minerals processing and resources sector. Prior to joining TerraCom as CEO in December 2018, for over 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. During his time as COO at MIN, he oversaw the successful implementation of MIN's strategic growth initiatives which included the development of the world class Wodgina open cut lithium mine. Mr McCarthy brings a wealth of experience to TerraCom, providing exceptional leadership with a strong commercial focus and operational background with expertise in the development and implementation of business strategy, construction, mining and minerals processing across a wide range of commodities. Former ASX listed directorships in the last three years: Nil

Mr Lewis is a qualified Coal Mine Manager and has worked in the Coal Industry since 1980. Throughout his career he worked as an Undermanager at various operations including United Colliery and Dartbrook Coal. In 1997 he commenced as Mine Manager at Cumnock Coal and in 1999 was promoted to Operations Manager at Oceanic Coal. Mr Lewis was promoted to the role of General Manager Eastern Underground Operations for Xstrata Coal NSW in 2003. 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



## Directors (cont)



**Craig Lyons**

**Non-Executive Director**

*Member of Remuneration Committee  
Member of Audit Committee  
Member of HSEC 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



**Mark Ludski**

**Non-Executive Director**

*Chair of Audit Committee  
Appointed 7 December 2022*

Mr. Ludski is a finance professional with in excess of 30 years' corporate experience within ASX listed public companies and professional accounting firms gaining experience in capital management, governance related activities and providing audit, taxation and business advisory services. Mr Ludski is university degree qualified, a member of Chartered Accountants in Australia and New Zealand and the Australian Institute of Company Directors. Mark previously held the role of Chief Financial Officer for over 22 years with ASX Listed Company, Ainsworth Game Technology Limited (ASX: AGI). Mark still remains as Company Secretary with AGI, a role he has held for over 22 years. In addition to his current role Mark is currently a non-executive director for Angel Action Pty Ltd as Trustee for The Ainsworth Foundation a role held since 2013. Former ASX listed directorships in the last three years: Nil

### DIRECTORS WHO RESIGNED DURING THE YEAR

**Craig Ransley**  
**Executive Chairman**  
Resigned 8 July 2022

**Matt Hunter**  
**Non-Executive Director**  
Resigned 3 October 2022

**Shane Kyrllakou**  
**Non-Executive Director**  
Resigned 28 November 2022

**Graeme Campbell**  
**Non-Executive Chairman**  
Resigned 19 May 2023





## Management



### **Danny McCarthy, Managing Director**

Refer to details on page 4.



### **Megan Ecell, Chief Financial Officer and Company Secretary**

Megan holds a Bachelor of Commerce Degree from the University of Newcastle and is a qualified Chartered Accountant. Ms Ecell joined TerraCom in November 2019 as Company Secretary and started in the role of Executive General Manager Corporate Affairs in September 2020. In this role Megan looked after all Corporate regulatory, legal and governance, investor and stakeholder relations and administrative matters. Ms Ecell was appointed Chief Financial Officer in March 2022 after holding the position of Interim Chief Financial Officer since October 2021. Ms Ecell 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. During her time with NuCoal, Megan was involved in numerous corporate transactions including capital raisings, acquisitions and joint venture arrangements.



### **Nathan Boom, Chief Commercial Officer**

Nathan holds a Bachelor of Commerce (Accounting) from the 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. Nathan has led business development projects and re-financing packages with banking consortium's, as well as substantial experience in financial system implementation and integration. Nathan joined TerraCom in 2015, where he has held the positions of Company Secretary from January 2016 to November 2019, Chief Financial Officer from March 2017 to August 2020, and was appointed Chief Commercial Officer in September 2020.



## Directors' 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		Options over		Total
	Direct Interest	Indirect Interest	Ordinary shares Direct Interest	Ordinary Shares Indirect Interest	
M Lochtenberg <sup>(1)</sup>	-	9,002,393	-	-	9,002,393
D McCarthy <sup>(2)</sup>	3,052,798	355,516	-	-	3,408,314
G Lewis <sup>(3)</sup>	-	2,106,354	-	-	2,106,354
C Lyons	-	-	-	-	-
M Ludski	-	-	-	-	-

(1) Shares held indirectly by Rigi Investments Pty Ltd (director & shareholder).

(2) Shares held indirectly via Rainbow Max Limited as trustee for Rainbow Max Unit Trust (unitholder).

(3) 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).

## 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 2023, 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)
M Lochtenberg	14	15	2	2	-	-	-	-
D McCarthy	15	15	-	-	-	-	5	5
G Lewis	15	15	3	3	1	1	5	5
C Lyons	15	15	4	4	5	5	2	2
M Ludski <sup>(1)</sup>	11	11	-	-	2	2	-	-
G Campbell <sup>(2)</sup>	12	12	3	3	1	1	-	-
M Hunter <sup>(3)</sup>	4	4	-	-	3	3	-	-
S Kyriakou <sup>(4)</sup>	4	5	-	-	3	3	2	3
C Ransley <sup>(5)</sup>	-	-	-	-	-	-	-	-

\* 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.

(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) Appointed 7 December 2022

(2) Resigned 19 May 2023

(3) Resigned 3 October 2022

(4) Resigned 28 November 2022

(5) Resigned 8 July 2022

# Operating and Financial Review

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## Key Highlights



**Record NPAT**  
\$262m



**Total ROM production**  
12.7Mt



**Dividends declared and paid**  
The Company returned \$244 million to shareholders in FY2023



**Record Coal Price**  
Record average coal price of A\$450 per sold tonne achieved at Blair Athol for the six months ended 31 December 2022



**Total coal sales**  
8Mt



# Operating and Financial Review (cont)

## Reconciliation of Operating EBITDA <sup>(1)</sup> to consolidated EBITDA per IFRS

The following reconciliation provides an analysis between operating EBITDA <sup>(1)</sup> previously reported to shareholders vs the consolidated EBITDA per statutory accounts, reported in accordance with IFRS.

	A\$M
<b>Statutory results per the Consolidated Statement of Profit or Loss for year ended 30 June 2023</b>	
<b>Profit before taxation</b>	<b>361.0</b>
Add/(Deduct):	
Depreciation	14.3
Net finance income	(2.6)
<b>EBITDA per statutory accounts</b>	<b>372.7</b>
Add/(Deduct):	
Adjustment to profit from associates	28.8
Corporate EBITDA	17.1
Foreign exchange adjustments	(10.7)
<b>Operating EBITDA <sup>(1)</sup> attributable to TerraCom Limited per management accounts</b>	<b>407.9</b>

<sup>(1)</sup> Non IFRS measure. Based on management accounts.

## Review of operations

Full year total coal sales were 8.0 million tonnes and full year equity coal sales were 4.8 million tonnes.

	TOTAL TONNES				EQUITY TONNES			
	ROM Tonnes (kt)		Coal Sales (kt)		ROM Tonnes (kt)		Coal Sales (kt)	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
<b>Australia</b>	<b>2,473</b>	<b>2,781</b>	<b>1,798</b>	<b>2,303</b>	<b>2,473</b>	<b>2,781</b>	<b>1,798</b>	<b>2,303</b>
Blair Athol	2,473	2,781	1,798	2,303	2,473	2,781	1,798	2,303
<b>South Africa</b>	<b>8,996</b>	<b>9,812</b>	<b>6,234</b>	<b>6,659</b>	<b>4,407</b>	<b>4,807</b>	<b>3,054</b>	<b>3,262</b>
NCC <sup>(1)</sup>	3,594	4,086	2,437	2,347	1,761	2,002	1,194	1,150
NBC <sup>(1)</sup>	4,570	4,285	3,192	3,100	2,239	2,100	1,564	1,519
Ubuntu <sup>(2)</sup>	832	1,441	605	1,212	407	705	296	593
<b>Total</b>	<b>11,469</b>	<b>12,593</b>	<b>8,032</b>	<b>8,962</b>	<b>6,880</b>	<b>7,588</b>	<b>4,852</b>	<b>5,565</b>

<sup>(1)</sup> 49.0% equity interest owned by TerraCom Limited

<sup>(2)</sup> 48.9% equity interest owned by TerraCom Limited

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

# Operating and Financial Review (cont)

## Dividends

### Paid during the year

Dividends of \$244 million were paid to shareholders during the year ended 30 June 2023 (2022: Nil).

### Declared after end of year

On 31 August 2023, the Directors declared a fully franked final dividend of 3 cents per share totalling \$24 million to be paid on 28 September 2023.

## Shares under option

### Shares issued on exercise of options

No shares were issued on the exercise of options during the financial year (2022: 39,910,638 fully paid ordinary shares were issued to OCP Asia under the terms of a convertible bond).

### Unissued shares under options

At the date of this report there were no unissued ordinary shares under options of the Company.

## 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, BDO, 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 BDO 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.





# Operating and Financial Review (cont)

## AUSTRALIAN BUSINESS UNIT OPERATIONS



The Australian Business Unit comprises one operational mine, the flagship Blair Athol Coal Mine located in Clermont, Queensland.

### Financial Performance Summary

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

		Year ended 30 June 2023 <sup>(1)</sup>	Year ended 30 June 2022	Variance	Variance (%)
<b>Revenue</b>	<b>\$'000</b>	649,713	565,393	84,320	15%
	<b>\$/Sold Tonne</b>	361.6	245.5	116.1	47%
<b>Costs <sup>(2)</sup></b>	<b>\$'000</b>	303,280	215,319	87,961	41%
	<b>\$/Sold Tonne</b>	168.8	93.5	75.3	81%
<b>EBITDA</b>	<b>\$'000</b>	346,433	350,074	(3,641)	(1)%
	<b>\$/Sold Tonne</b>	192.8	152.0	40.8	27%

(1) The data presented does not include the results from the South African Unit or TerraCom corporate costs.

(2) reflects ongoing operational costs and excludes once off items.

Exceptional seaborne coal pricing resulted in BA delivering a strong operating result for the 12 months to 30 June 2023. A record average coal price of A\$450 per sold tonne was achieved at Blair Athol for the six months ended 31 December 2022.


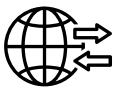




Free on Board (FOB) costs were impacted by revenue linked costs (including government royalties), diesel and current inflation pressures being experienced by the mining industry. The royalty per tonne for the 12 months ending 30 June 2023 was \$73.8 per tonne, which on a full year basis represents an increase of approximately \$47 per tonne compared to FY2022, driven by coal price.

# Operating and Financial Review (cont)

## BLAIR ATHOL

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 approximately 2 million tonnes per annum of high quality thermal coal. Rehabilitation at the site is progressive and forms part of the ongoing mining operations.

The Blair Athol mine is an open pit producing thermal coal operation with coal being exported primarily to Japan, South Korea power generation markets and into the Indian sponge iron market. Life of Mine is 8+ years at the current run rate and we have a number of potential near mine expansion opportunities which could see Blair Athol utilised as a processing precinct for many decades to come.

					
<b>Thermal Coal</b> 2.5Mtpa ROM	<b>Export</b> 2.0Mtpa export, primarily to Japan and South Korea and Indian sponge iron markets  Exported through Dalrymple Bay Coal Terminal	<b>Ownership</b> 100% ownership, Owner Operator	<b>Open Pit</b> Dragline, truck, shovel and dozers for waste removal  Coal mining by truck and shovel  Life of mine strip ratio of ~8:1	<b>Ore Reserve</b> ~23Mt	<b>LOM</b> Approx. 8 - 9 years

## Total Tonnes

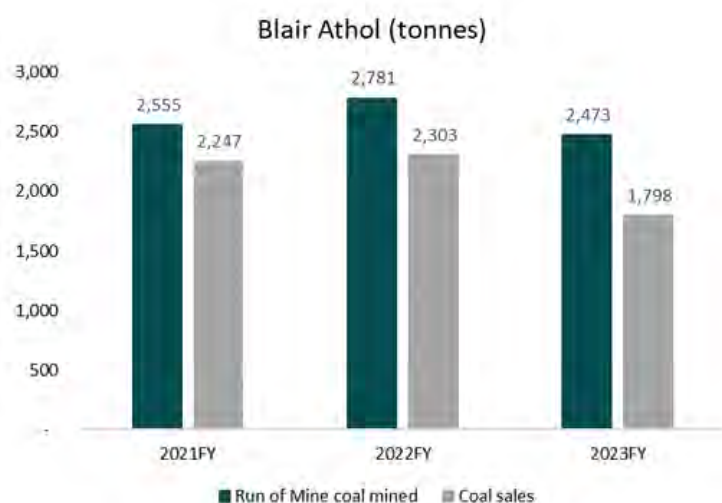
	Quarter 1 Sept-22	Quarter 2 Dec-22	Quarter 3 Mar-23	Quarter 4 Jun-23	2023 Financial Year	2022 Financial Year
<b>Blair Athol</b>						
Run of Mine Coal mined (tonnes)	661	602	539	671	2,473	2,781
Saleable Production (tonnes)	466	507	407	488	1,868	2,285
Coal Sales (tonnes)	452	500	380	466	1,798	2,303
Inventory (tonnes)	134	91	133	171	171	87

## PRODUCTION

Total ROM production for the year was 2.5 million tonnes with sales of 1.8 million tonnes. The decrease in ROM and sales tonnes from the previous FY was predominately due to the challenging mining conditions experienced in the March Quarter as a result of the significant adverse weather conditions.

Heavy rains experienced earlier in the year continued to put pressure on the logistics network in Queensland throughout the June Quarter, and TerraCom, like all other producers in the region, faced ongoing delays. Blair Athol scheduling was negatively impacted, and this resulted in the Company revising its total forecast coal sales for the full financial year ending 30 June 2023 from 2.1Mt to 1.8Mt.

Closing ROM stock at the mine as at 30 June 2023 was 76kt and saleable coal was 95kt (including 66kt at the port).





## Operating and Financial Review (cont)

# SOUTH AFRICAN BUSINESS UNIT OPERATIONS



The South African Business Unit comprised three operating coal mines throughout the financial year – North Block Complex, New Clydesdale Colliery and Ubuntu Colliery.

### Financial Performance Summary

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

		Year ended 30 June 2023 <sup>(1)</sup>	Year ended 30 June 2022	Variance	Variance (%)
<b>Revenue</b>	<b>\$'000</b>	530,992	464,927	66,065	14%
	<b>\$/Sold Tonne</b>	85.6	71.6	14.0	20%
<b>Costs</b>	<b>\$'000</b>	402,627	330,500	72,127	22%
	<b>\$/Sold Tonne</b>	64.9	50.9	14.0	28%
<b>EBITDA</b>	<b>\$'000</b>	128,365	134,427	(6,062)	(5)%
	<b>\$/Sold Tonne</b>	20.7	20.7	00.0	0%

(1) The information presented above includes 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%. The variance between the information noted above and information contained within Note 3 – Operating segments is due to the South African operations being deconsolidated in accordance with IFRS.

The South African operations faced a number of production challenges during FY2023 particularly with New Clydesdale Colliery opening a new mining area. Logistics issues remained during FY2023 and the Company continues to use alternate supply chain methods (trucking) due to ongoing constraints with the rail system in South Africa.

Operating EBITDA for the South African operations (100% basis) for the 12 months to 30 June 2023 was \$130.4 million or \$21.0 per tonne. The strong export coal price for RB1 sales from both NCC and NBC throughout the first half of the year positively impacted the full year results.

# Operating and Financial Review (cont)

**South Africa production overview:** quarter by quarter for 12 months ending 30 June 2023

	Quarter 1 Sept-22	Quarter 2 Dec-22	Quarter 3 Mar-23	Quarter 4 Jun-23	2023 Financial Year
Run of Mine Coal mined (tonnes)	2,592	2,269	1,976	2,159	<b>8,996</b>
Saleable Production (tonnes)	1,820	1,596	1,554	1,339	<b>6,309</b>
Sales (tonnes)	1,921	1,555	1,458	1,300	<b>6,234</b>
Inventory (tonnes)	522	500	362	557	<b>557</b>

**South Africa production:** year to date comparison for 12 months ending 30 June 2023

	2023 Financial Year	2022 Financial Year *	Change	Change %
Run of Mine Coal mined (tonnes)	<b>8,996</b>	9,812	(816)	(8)
Saleable Production (tonnes)	<b>6,309</b>	6,540	(231)	(4)
Sales (tonnes)	<b>6,234</b>	6,660	(426)	(6)
Inventory (tonnes)	<b>557</b>	705	(148)	(21)

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





# Operating and Financial Review (cont)

## NEW CLYDESDALE COLLIERY

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 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.



**Thermal Coal** ^  
4.8Mtpa ROM



**Domestic**  
1.6Mtpa to 2024, fixed price



**Export**  
API4 Index linked offtake agreement of 656ktpa to 2023



**Ore Reserves**  
~46Mt



**Ownership**  
49% ownership, owner operator



**Underground**  
Room and pillar



**Seam Production**  
Three sections



**Open Pit**  
Truck and shovel operation ~3:1 strip ratio

^ subject to coal sales contract

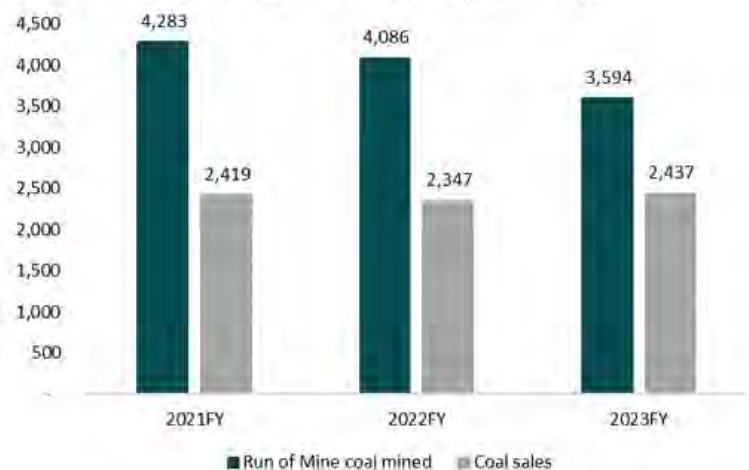
## Total Tonnes

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023	2022
NCC	Sept-22	Dec-22	Mar-23	Jun-23	Financial Year	Financial Year
Run of Mine Coal mined (tonnes)	1,059	864	733	938	3,594	4,086
Saleable Production (tonnes)	668	579	548	578	2,373	2,530
Sales (tonnes)	692	645	531	569	2,437	2,347
Inventory (tonnes)	265	209	161	273	273	270

## PRODUCTION

During the financial year, NCC produced 3.6Mt of ROM (FY2022: 4.1Mt) and achieved a total of 2.4Mt (FY2022: 2.3Mt) coal sales. Sales to Eskom were above contracted volumes at 1.7Mt for the year. RB1 coal sales were down 15% on the previous reporting period due to ongoing Transnet issues. Total reported export coal sales were 717kt.

New Clydesdale Colliery (tonnes)



# Operating and Financial Review (cont)

## NORTH BLOCK COMPLEX

The North Block Complex (NBC) is located in Belfast in the Mpumalanga province, South Africa, approximately 200km North-east of Johannesburg. Open cast mining is taking place in the Paardeplaats section developed in FY2020.

NBC is a multi-product open cast operation that has solidified itself as a reliable supplier of high-quality export thermal coal for the export market and domestic coal for ESKOM, South Africa's power generator. The multiple established export path to market for NBC provides the platform for further growth opportunities for the Company.



**Thermal Coal ^**  
5.1Mtpa ROM



**Domestic**  
2.4Mtpa to  
2030, fixed  
price



**Ore Reserves**  
~40Mt



**Ownership**  
49%



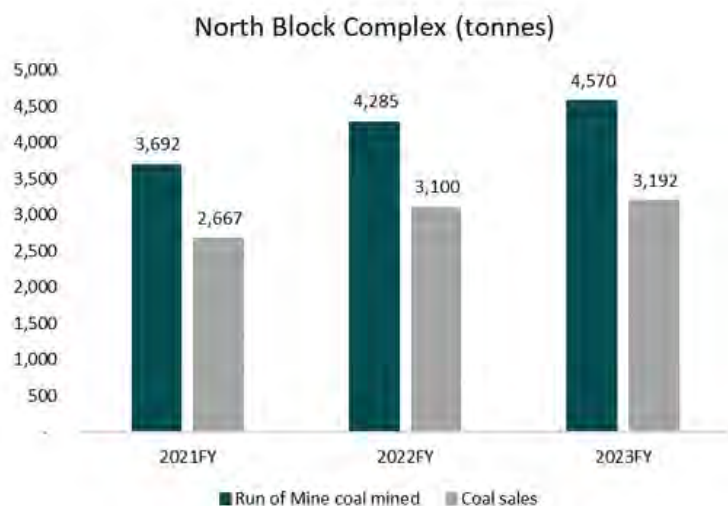
**Open Pit**  
Truck and  
shovel  
operation

## Total Tonnes

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023	2022
NBC	Sept-22	Dec-22	Mar-23	Jun-23	Financial Year	Financial Year
Run of Mine Coal mined (tonnes)	1,229	1,031	1,089	1,221	4,570	4,285
Saleable Production (tonnes)	871	753	749	761	3,134	3,026
Sales (tonnes)	930	745	786	731	3,192	3,100
Inventory (tonnes)	196	222	201	284	284	264

## PRODUCTION

A total of 3.2Mt of coal was sold to market during FY2023 (FY2022: 3.1Mt). Total Eskom offtake volumes were achieved during the year with the colliery reporting total domestic coal sales of 2.4Mt. With respect to export tonnes, a total of 829kt was sold during the year. A total of 344kt of RB1 product was delivered to market and 207kt of RB3 product was sold. A new export market was established in the September Quarter which resulted in a total of 278kt of RB4 product being sold to to customers in this new market.










# Operating and Financial Review (cont)

## 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.

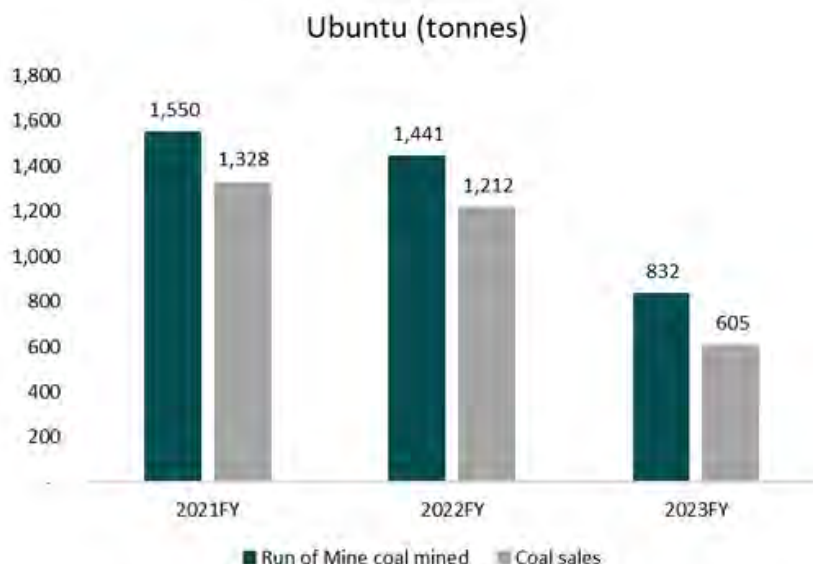
The energy content under the Coal Supply Agreement (CSA) between Ubuntu and Eskom concluded end February 2023. The CSA has not been renewed and the colliery is now on care and maintenance.

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

				
<b>Thermal Coal</b> ^ 1.2Mtpa ROM	<b>Status</b> Care and Maintenance	<b>Ownership</b> 48.9%	<b>Ore Reserve</b> ~6Mt	<b>Open Pit</b> Truck and shovel operation ~3:1 strip ratio Crush and screen blending operation

## Total Tonnes

Ubuntu	Quarter 1 Sept-22	Quarter 2 Dec-22	Quarter 3 Mar-23	Quarter 4 Jun-23	2023 Financial Year	2022 Financial Year
Run of Mine Coal mined (tonnes)	304	374	154	-	832	1,441
Saleable Production (tonnes)	281	264	257	-	802	983
Sales (tonnes)	299	165	141	-	605	1,212
Inventory (tonnes)	61	69	-	-	-	171



# Operating and Financial Review (cont)

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than the following:

- On 25 July 2023, the Company cancelled performance rights to be issued to key management personnel totalling 1,447,967. A total of 1,320,325 were cancelled by agreement between the Company and the holder and settled for cash consideration. A total of 127,642 were cancelled due to the performance rights no longer being capable of being satisfied.
- On 31 August 2023, the Directors declared a fully franked final dividend of 3 cents per share totalling \$24 million to be paid on 28 September 2023.

## OUTLOOK AND LIKELY DEVELOPMENTS

Energy security is expected to remain a key priority while there is a continuing global energy supply shortfall - particularly for high quality thermal coal.

In the opinion of the directors, it is likely to take several years before additional supply or alternative energy sources are available in the global energy market to meet the necessary demand. Whilst many options for decarbonisation are being considered, there is no immediate alternatives to replace coal as a baseload energy solution in the next multi-decade period.

## 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. The Company has in place a framework for the management of operational risks and a comprehensive group insurance program which provides insurance coverage for a number of these operating risks.

### Cash Flow risk

The risk the Group's operations are unable to generate sufficient cashflow to meet their operational commitments and debt funding repayments in South Africa 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. TerraCom has monitoring processes in place which provide adequate assessment of the circumstances and necessary action to mitigate the associated risk.

### 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.



# Operating and Financial Review (cont)

## Exploration and Evaluation risk

Mineral exploration and development are high risk undertakings. While the Group has attempted to reduce this risk by selecting projects that have identified prospective mineral targets, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. The Group's exploration and appraisal activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangements and regulatory authorities (authorisations) which may not be granted or may be withdrawn or made subject to limitations. Although the authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such authorisations. If the Group does not meet its work and/or expenditure obligations under its authorisations, this may lead to dilution of its interest in, or the loss of such authorisations. The business of commodity development and production involves a degree of risk. Amongst other factors, success is dependent on successful design, construction and operation of efficient gathering, processing and transportation facilities. Even if the Company discovers or recovers potentially commercial quantities of coal from its exploration activities, there is no guarantee that the Group will be able to successfully transport these resources to 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. TerraCom has a comprehensive environmental, health and safety management system to mitigate the risk of incidents and to ensure compliance with environmental and safety laws.

## 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 & 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. Commercial processes in place are designed to reduce the likelihood of these risks materialising as a result of a commercial transaction.

## 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. TerraCom has a comprehensive environmental, health and safety management system to mitigate the risk of incidents and to ensure compliance with environmental and safety laws. The Company also has a community relations team that engage with local communities to ensure community issues are understood and addressed appropriately.

# Operating and Financial Review (cont)

## Legal and regulatory risk

The coal sector is subject to a broad range of laws, regulations and standards including in relation to taxation, royalties, environmental matters and greenhouse gas emissions. A change in the laws, regulations or standards applicable to the Company could result in increased costs, regulatory action, litigation or, in extreme cases, threaten the viability of an operation.

TerraCom actively monitors legislative and regulatory developments and engages appropriately with legislative and regulatory bodies to manage this risk.

## Cyber risk

The Group's operations are supported by an information technology security framework and back-up data infrastructure. However, computer viruses, unauthorised access, cyberattack and other similar disruptions may threaten the security of information and impact operational systems. TerraCom manages this risk by continuing to invest in systems to prevent such attacks and undertaking staff training programs.

## 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 forecast 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. Counterparty risk is assessed prior to entry into any new arrangements and, if necessary, appropriate risk control mechanisms are put in place. TerraCom proactively engages with its counterparties to manage instances of non-supply and quality control and to ensure alignment of expectations.

## 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.

## 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.

## 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

BDO Audit Pty Ltd 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 6 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 6 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 BDO AUDIT PTY LTD

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.



# Auditor's Independence Declaration



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GPO Box 457 Brisbane QLD 4001  
Australia

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

As lead auditor of TerraCom Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light blue horizontal line.

R M Swaby  
Director

BDO Audit Pty Ltd

Brisbane, 31 August 2023

For personal use only



# Remuneration report (audited)

The audited remuneration report for the year ended 30 June 2023 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 2023.

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 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 2022 Annual General Meeting of shareholders held on 28 November 2022, the remuneration report received positive shareholder approval with a vote of 90.71% in favour. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## 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
<ul style="list-style-type: none"> <li>• rewarding capability and experience</li> <li>• reflecting competitive reward for contribution to growth in shareholder wealth</li> <li>• providing a clear structure for earning rewards</li> </ul>	<ul style="list-style-type: none"> <li>• economic profit as a core component of plan design</li> <li>• 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</li> <li>• attracting and retaining high calibre executives</li> </ul>

# Remuneration report (cont)

## ROLE OF THE REMUNERATION COMMITTEE

The Board recognises the principle of fair, responsible and transparent remuneration practices is imperative to its overall corporate governance structure. To assist in carrying out its responsibilities in this area, the Board has delegated certain responsibilities to the Remuneration Committee.

The primary purpose of the Remuneration Committee is to represent the Board and to assist the Board to perform its functions in relation to all executive KMP remuneration issues and the Company's human resources strategy, generally.

The Committee is primarily responsible for:

- monitoring the effectiveness of the overall remuneration structure of the Group;
- reviewing and approving the remuneration arrangements for the Managing Director and other executive KMP;
- reviewing and approving the terms and conditions of short-term incentives and long-term incentives for the Managing Director and other executive KMP (including setting short term incentives);
- assisting the Board with review of the performance of the Managing Director;
- reviewing and recommending to the Board the remuneration to be paid to non-executive Directors, including the process by which any pool of directors' fees approved by shareholders is allocated to directors;
- reviewing and recommending to the board the remuneration to be paid to board members of any subsidiaries of the Group;
- reviewing and making recommendations to the Board on remuneration;
- approving the appointment of remunerations consultants for the purposes of the Corporations Act 2001 (Cth) (**Corporations Act**);
- reviewing senior executive succession and key staff succession plans;
- reviewing and recommending to the Board the remuneration report prepared in accordance with the Corporations Act for inclusion in the annual directors' report;
- reviewing and facilitating shareholder and other stakeholders' engagement in relation to the Company's remuneration policies and practices; and
- to ensure any termination benefits are justified and appropriate.

The objective of the Committee is to ensure the remuneration policies and structures 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 2023 financial year the Company did not engage any remuneration experts. During FY2022, the Company engaged remuneration experts to assist with the development of both a formal Short Term Incentive (**STI**) plan and Long Term Incentive (**LTI**) plan. The new incentive plans place a strong focus on key operational imperatives and also have an alignment with shareholders through material equity components. The new STI and LTI plans were formally introduced by the Board in August 2022.



# Remuneration report (cont)

## NON-EXECUTIVE DIRECTOR REMUNERATION

### (a) Non-executive KMP

The table below shows non-executive KMP during FY23.

Name	Role held during FY23, including committee memberships
<b>M Lochtenberg</b> (appointed 28 January 2022)	<b>Non-executive Director, appointed Non-executive Chairman 19 May 2023</b> Chair of Remuneration Committee
<b>G Lewis</b> (appointed 23 December 2019)	<b>Non-executive Director</b> Chair of HSEC Committee Member of Remuneration Committee Member of Audit Committee
<b>M Ludski</b> (appointed 7 December 2022)	<b>Non-executive Director</b> Chair of Audit Committee
<b>C Lyons</b> (appointed 14 July 2020)	<b>Non-executive Director</b> Member of Audit Committee Member of Remuneration Committee Member of HSEC Committee
<b>G Campbell</b> (appointed 28 January 2022) (resigned 19 May 2023)	<b>Non-executive Director</b> Former Chair of Remuneration Committee Former Member of Audit Committee
<b>M Hunter</b> (appointed 7 September 2018) (resigned 3 October 2022)	<b>Non-executive Director</b> Former Chair of Audit Committee
<b>S Kyriakou</b> (appointed 7 September 2020) (resigned 28 November 2022)	<b>Non-executive Director</b> Former Member of Audit Committee Former Member of HSEC 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 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.

### (c) Current non-executive director fee remuneration

An internal review of non-executive director remuneration was undertaken during FY2023 to recalibrate fees and payments to non-executive directors following the changes to the composition of the board between July 2022 and December 2022. The fee levels adopted by the Board during FY2023 are outlined below, noting the fees are per annum and include mandatory statutory superannuation contributions. The fees apply to non-executive directors only.



# Remuneration report (cont)

	Board	Remuneration Committee	Audit Committee	HSEC Committee
<b>July to November 2022</b>				
Chair	(1)	\$30,000	\$30,000	\$30,000
Member	\$75,000	\$15,000	\$15,000	\$15,000
<b>December 2022 to June 2023</b>				
Chair	(1)	\$30,000	\$30,000	\$30,000
Member	\$100,000	\$15,000	\$15,000	\$15,000

<sup>(1)</sup> The fee paid to Graeme Campbell was \$300,000 per annum. The fee paid to Mark Lochtenberg is \$250,000 per annum.

## Executive KMP Remuneration

The Group aims to reward Executive KMP based on their position and responsibility, with a balance between fixed and incentive pay, reflecting short and long term performance objectives which align with the Group's circumstances and objectives.

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

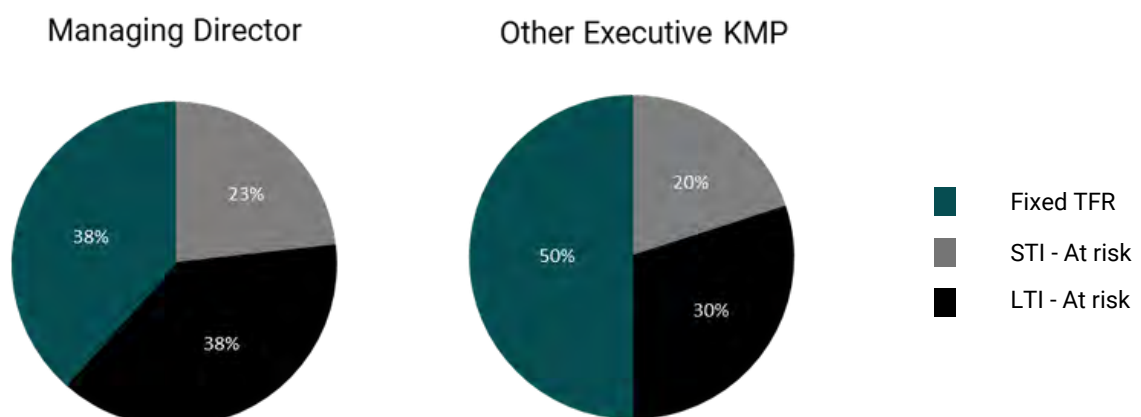
- fixed remuneration, including superannuation (**TFR**)
- short-term performance incentives (**STI**)
- long-term performance incentives (**LTI**)
- non-monetary benefits (including fringe benefits)

### (a) Executive KMP

The table below shows Executive KMP during FY23, including a summary of notice periods and key terms. All Executive KMP listed below have held their respective positions for the full financial year.

Name	Position as at 30 June 2023	Notice Period
D McCarthy	Managing Director	Up to 1 April 2024 - 8 months From 2 April 2024 - 6 months
M Etcell	Chief Financial Officer & Company Secretary	6 months
N Boom	Chief Commercial Officer	6 months

The following diagram sets out the remuneration mix of TFR, STI award and LTI award value at target for the Executive KMP for the 2023 financial year.



# Remuneration report (cont)

## (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.

A formal STI plan was formally introduced by the Board in August 2022 and communicated to eligible participants at that time.

Key terms of the approved STI plan are noted below:

Item	Description
<b>Performance Period</b>	<p>The STI plan was formally approved and adopted by the Board in August 2022. Eligible participants were advised of their participation in the STI plan at this time.</p> <p>Given the commencement of the plan in August 2022, the performance periods impacting the remuneration of KMP during FY2023 related to the following 12-month performance periods.</p> <p><b>FY2022</b> – 1 July 2021 to 30 June 2022</p> <p><b>FY2023</b> – 1 July 2022 to 30 June 2023 (bonus provision)</p>
<b>Performance Measures</b>	<p>The STI plan is linked to performance measures achieved during a financial reporting period (i.e. from 1 July to 30 June).</p> <p>Incentive payments under the plan are calculated on the achievement of pre-determined criteria set by the Board, which include Company financial performance measures, strategic objectives, Blair Athol operational performance targets as well as individual performance.</p> <p>To enable payment of any STI Award, an Eligible Participant must be meeting expectations with respect to individual performance and displaying behaviour consistent with the Company's values.</p>
<b>Form of Award</b>	<p>Awards are delivered in cash. Timing of payment is usually September each year.</p>
<b>STI Opportunity</b>	<p><b>Performance Period - FY2022</b></p> <p>Managing Director: Target 60% of TFR (Stretch of 68% of TFR)</p> <p>Other Executive KMP: Target 40% of TFR (Stretch of 46% of TFR)</p> <p><b>Performance Period - FY2023</b></p> <p>Managing Director: Target 60% of TFR (Stretch of 72% of TFR)</p> <p>Other Executive KMP: Target 40% of TFR (Stretch of 48% of TFR)</p>
<b>Calculation of STI Award</b>	<p>The value of the STI Award is calculated as follows:</p> <p><i>Value of STI Award = TFR x Target Opportunity x % of incentive achieved</i></p>
<b>Award Determination and Payment</b>	<p>The STI Award is determined following a review of performance over the year against the pre-determined criteria, as assessed by the Managing Director and Remuneration Committee.</p>
<b>Board Discretion</b>	<p>The Board retains discretion to increase or decrease, including the nil, the extent of the STI Award to Eligible Participants if it forms a view that it is appropriate to do so given the circumstances during the Performance Period.</p>
<b>Major Corporate Transactions</b>	<p>Awards vest pro-rata relative to the percent of the Performance Period that has elapsed in the event of a change of control transaction going unconditional, unless determined otherwise by the Board.</p>

# Remuneration report (cont)

## Summary of Short Term Incentive Outcomes

Annual performance is assessed by examination of outcomes against pre-determined criteria.

The pre-determined criteria are holistic to the activities of the Group with targets determined annually to drive actions and initiatives in order to provide continuous improvement.

Each criteria has a minimum achievement level and achievement of any incentive then works on a sliding scale designed to encourage superior performance that exceeds established targets.

Measure	Weighting	Description	Outcome			
			THRESHOLD	TARGET	STRETCH	
<b>FY2022 Financial Year STI Measures and Outcomes</b>						
<b>Financial</b>	Group EBITDA	50%	Financial performance is measured on the Group's Financial Performance. A minimum achievement of 85% of Financial Performance must be achieved for this incentive to be payable.			
<b>Strategic</b>	Various	30%	Strategic Milestones are measured based on the number of milestones being met. A minimum achievement of the milestones must be achieved for part of this incentive to be payable.			
<b>Operational</b>	Coal Sales	20%	Blair Athol Mine Operational Performance is measured based on coal sales against target. A minimum achievement of 85% of the target must be achieved for part of this incentive to be payable.			
<b>Total</b>	<b>100%</b>					

Measure	Weighting	Description	Outcome			
			THRESHOLD	TARGET	STRETCH	
<b>FY2023 Financial Year STI Measures and Outcomes</b>						
<b>Financial</b>	Group EBITDA	75%	Financial performance is measured on the Group's Financial Performance. A minimum EBITDA must be achieved for this incentive to be payable.			
<b>Operational</b>	Coal Sales	25%	Blair Athol Mine Operational Performance is measured based on coal sales against target. A minimum achievement of 85% of the target must be achieved for part of this incentive to be payable.			
<b>Total</b>	<b>100%</b>					



# Remuneration report (cont)

## (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 plan is to link the long-term performance objectives of the Company with the retention of the Group's employees at all levels.

A formal LTI plan was adopted by the Board in August 2022 and communicated to eligible participants at that time. The LTI plan allows for the issue of Performance Rights (**Rights**) to eligible participants which can be exercised into fully paid ordinary shares upon satisfying the requisite service conditions. The Rights may be settled via the issuance of a fully paid ordinary share, or cash equivalent, upon valid exercise.

### Performance measure

The LTI awarded to Executive KMP during FY2023 covered the performance period from 1 July 2021 to 30 June 2022 (**Performance Period**).

The number of Rights awarded was determined based on the Total Shareholder Return (**TSR**) during the Performance Period, benchmarked against comparable coal mining companies listed on the ASX.

TSR is a method of calculating the return shareholders would earn if they held a notional number of shares over a period of time. In broad terms, TSR measures the growth in the company's share price (modified to account for capital adjustments where appropriate) together with the value of dividends derived during the period, assuming that all those dividends are re-invested into new shares.

To determine the LTI Award for the Performance Period, the TSR of the Company was measured as a percentile ranking compared to the average TSR for the same period of a comparator group of companies.

For the Performance Period, the comparator group of companies included Bathurst Resources Ltd, Coronado Global Resources Inc, New Hope Group, Whitehaven Coal and Yancoal. The comparator group of companies may be subject to change from time to time.

The final percentage of the LTI Award is then determined in accordance with the following schedule:

TSR percentile ranking	Award
75th percentile or above	100%
Between 50th and 75th percentile	Award will occur on pro rata straight line basis
Equal to 50th percentile	50%
Below 50th percentile	Nil

### Number of Rights

Once the final percentage of the LTI Award has been determined (% basis), the number of Rights to be granted is calculated with reference to the opening share price on the day after the Performance Period has completed (i.e. 1 July 2022).

*Number of Rights = Total Fixed Remuneration (TFR) x LTI % ÷ share price on 1 July 2022*

*Note: LTI % is the maximum LTI opportunity as a % of TFR*



# Remuneration report (cont)

## Amount of LTI Award

Under the Company's LTI plan, Executive KMP are entitled to earn up to a percentage of their total remuneration as equity incentive as outlined below.

Executive KMP	% LTI Opportunity
Danny McCarthy	100%
Nathan Boom	60%
Megan Etccl	60%

Term and conditions of the LTI Award granted to Executive KMP in the current or future reporting periods and the associated pricing model inputs are detailed in the table below.

Name	LTI series	Grant Date	Vesting Date	Number Granted	Value Per Share <sup>(1)</sup>	Number Vested	Vested %	Number Forfeited	Forfeited %	Total Award Value in Future Financial Years <sup>(2)</sup>
Danny McCarthy	2022 - T1	Nov 22 <sup>(3)</sup>	31 Dec 22	733,740	0.7800	733,740	100%	-	-	-
	2022 - T2	Nov 22 <sup>(3)</sup>	30 Jun 23	733,740	0.5818	733,740	100%	-	-	-
Nathan Boom	2022 - T1	Aug 22	31 Dec 22	329,268	0.8803	329,268	100%	-	-	-
	2022 - T2	Aug 22	30 Jun 23	329,268	0.6837	329,268	100%	-	-	-
Megan Etccl	2022 - T1	Aug 22	31 Dec 22	257,317	0.8803	257,317	100%	-	-	-
	2022 - T2	Aug 22	30 Jun 23	257,317	0.6837	257,317	100%	-	-	-

<sup>(1)</sup> The fair value of the performance right is determined with reference to the actual share price on Grant Date and adjusted for the present value of expected dividends over the vesting period.

<sup>(2)</sup> Calculated with reference to the grant date fair value. This value may change depending on the actual share price at vesting date.

<sup>(3)</sup> Performance Rights for all KMP were notified to Eligible Participants in August 2022 however, the value per share for D McCarthy is November 2022, being the date shareholder approval was obtained.

## Vesting of LTI Award

Rights vest on completion of Service Conditions as outlined below:

- 50% of the LTI Award will vest on 31 December 2022; and
- 50% of the LTI Award will vest on 30 June 2023.

The Board has the discretion to adjust the Service Conditions where it is considered appropriate to do so.

## Treatment of Awards on cessation of employment

Subject to the Board's discretion to determine otherwise, any LTI Award granted to Executive KMP will lapse where their employment is terminated.

The Board has the discretion to determine that only part of an LTI Award (up to a pro rata portion based on how much of the relevant Service Condition period remains) will lapse should any Executive KMP leave prior to a Service Condition being met.

# Remuneration report (cont)

## Dividend and voting entitlements

Performance rights do not have any dividend or voting rights prior to vesting and exercise.

## Change of control

If there is a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has a discretion to determine that some or all of the LTI Award will vest and become exercisable. If an actual change of control occurs before the Board has exercised this discretion, a pro rata portion of the LTI Award (based on how much of the relevant Service Condition has lapsed) will immediately vest and become exercisable.

The Board retains discretion to determine whether the remaining unvested LTI Award will vest and become exercisable or lapse.

## No dealing

Any dealing in respect of the LTI Award is prohibited unless the Board determines otherwise, or the dealing is required by law.

## Additional information

There is no cost to Executive KMP on the grant or exercise of the LTI Award and there are no loans associated with the grant of the LTI Award.

On vesting and exercise, each Right entitles Executive KMP to receive one ordinary fully paid share in the Company or an equivalent cash payment, at the discretion of the Board.

Rights will be equity settled unless the Board exercises discretion to settle in cash. The cash equivalent value is to be determined with reference to the number of Rights and the market value of the Company's fully paid ordinary shares on the date of vesting, less applicable taxes and other amounts such as any applicable statutory superannuation contributions.

## (e) Non-monetary benefits

Executive KMPs 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.





# Remuneration report (cont)

## 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		Total
		Salary	Cash Bonus	Other	Super annuation	Termination Benefits	Performance Rights	Shares	
2023		\$	\$	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>									
G Campbell <sup>(1)</sup>	2023	266,129	-	-	-	-	-	-	266,129
	2022	31,250	-	-	-	-	-	-	31,250
M Hunter <sup>(2)</sup>	2023	97,723	-	-	2,517	-	-	-	100,240
	2022	95,890	-	-	9,589	-	-	-	105,479
S Kyriakou <sup>(3)</sup>	2023	43,750	-	-	-	-	-	-	43,750
	2022	105,000	-	-	-	-	-	-	105,000
G Lewis <sup>(4)</sup>	2023	135,833	-	-	-	-	-	-	135,833
	2022	132,917	-	35,125	-	-	-	-	168,042
M Lochtenberg <sup>(5)</sup>	2023	99,621	-	-	9,962	-	-	-	109,583
	2022	31,250	-	-	-	-	-	-	31,250
C Lyons <sup>(6)</sup>	2023	148,750	-	70,000	-	-	-	-	218,750
	2022	120,000	-	135,000	-	-	-	-	255,000
M Ludski <sup>(7)</sup>	2023	66,968	-	-	7,032	-	-	-	74,000
	2022	-	-	-	-	-	-	-	-
<b>Total Directors</b>	<b>2023</b>	<b>858,774</b>	<b>-</b>	<b>70,000</b>	<b>19,511</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,285</b>
	<b>2022</b>	<b>516,307</b>	<b>-</b>	<b>170,125</b>	<b>9,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>696,021</b>

(1) Appointed 28 January 2022 and resigned 19 May 2023

(2) Resigned 3 October 2022

(3) Resigned 28 November 2022

(4) 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.

(5) Appointed 28 January 2022 and appointed Non-Executive Chairman on 19 May 2023

(6) 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) Appointed 7 December 2022

# Remuneration report (cont)



		Short-term benefits			Post-employment benefits		Share-based payments		Total
		Salary <sup>(3)</sup>	Cash Bonus <sup>(4)</sup>	Other	Super annuation	Termination Benefits	Performance Rights <sup>(5)</sup>	Shares	
2023		\$	\$	\$	\$	\$	\$	\$	
<b>Executive KMP</b>									
D McCarthy	2023	875,000	1,554,556	-	27,500	-	999,207	-	3,456,263
	2022	875,000	1,213,400	-	27,500	-	-	-	2,115,900
N Boom	2023	647,500	752,625	-	27,500	-	514,974	-	1,942,599
	2022	647,500	471,700	-	27,500	-	-	-	1,146,700
M Etcell	2023	500,000	588,163	-	27,500	-	402,443	-	1,518,106
	2022	473,205	471,700	-	27,500	-	-	-	972,405
C Ransley <sup>(1)</sup>	2023	-	-	-	-	-	-	-	-
	2022	900,000	3,810,000	44,080	-	501,923	-	-	5,256,003
C Van Tonder <sup>(2)</sup>	2023	-	-	-	-	-	-	-	-
	2022	95,797	-	-	-	-	-	-	95,797
<b>Total Executive KMP</b>	<b>2023</b>	<b>2,022,500</b>	<b>2,895,344</b>	<b>-</b>	<b>82,500</b>	<b>-</b>	<b>1,916,624</b>	<b>-</b>	<b>6,916,968</b>
	<b>2022</b>	<b>2,991,502</b>	<b>5,966,800</b>	<b>44,080</b>	<b>82,500</b>	<b>501,923</b>	<b>-</b>	<b>-</b>	<b>9,586,805</b>

(1) Appointed Executive Chairman 1 April 2021. Resigned 8 July 2022. A bonus in the amount of \$2.38 million was awarded to Mr Ransley for his work over a period of time in finalising the payment of the US\$167,000,000 Euroclear Bond which occurred in May 2022. An additional amount of \$930k was paid (subsequent to 30 June 2022) to Mr Ransley as an accelerated STI / LTI bonus for the 2022 financial year. Both of these payments were agreed between the Company and Mr Ransley before 30 June 2022 and were subsequently approved by shareholders at an Extraordinary General Meeting held on 13 September 2022. Other amounts paid to Mr Ransley relate to an accommodation allowance outside of Australia.

(2) Ceased as KMP effective 7 October 2021.

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

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

(5) The amount represents the fair value of the performance rights on Grant Date. The fair value of the performance rights is determined with reference to the actual share price on Grant Date and adjusted for the present value of expected dividends over the vesting period.



# Remuneration report (cont)

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

	Fixed Remuneration		Share-based payment		At risk incentives	
	2023	2022	2023	2022	2023	2022
<b>Non-Executive Directors</b>						
G Campbell <sup>(1)</sup>	100%	100%	-	-	-	-
M Hunter <sup>(2)</sup>	100%	100%	-	-	-	-
S Kyriakou <sup>(3)</sup>	100%	100%	-	-	-	-
G Lewis	100%	100%	-	-	-	-
M Lochtenberg	100%	100%	-	-	-	-
C Lyons	100%	100%	-	-	-	-
M Ludski	100%	-	-	-	-	-
<b>Executive KMP</b>						
C Ransley <sup>(4)</sup>	-	28%	-	-	-	72%
D McCarthy	26%	43%	29%	-	45%	57%
N Boom	35%	59%	26%	-	39%	41%
M Etcell	35%	51%	26%	-	39%	49%

(1) Resigned 19 May 2023.

(2) Resigned 3 October 2022.

(3) Resigned 28 November 2022.

(4) Resigned 8 July 2022.

At risk incentives include cash bonuses.





# Remuneration report (cont)

## SHARE-BASED COMPENSATION

### Issue of shares

There have been no shares issued to Non-Executive Directors as part of compensation during this financial year. Shares were issued to Executive KMP following the achievement of vesting criteria is as follows:

	No. of Rights	Vesting Date	Vesting Criteria Achieved	No. of Shares Issued	Issue Date	Issue Price	Fair Value
Danny McCarthy	733,740	31 December 2022	Yes	733,740	3 January 2023	\$0.93	\$682,378
Nathan Boom	329,268	31 December 2022	Yes	329,268	3 January 2023	\$0.93	\$306,219
Megan Etcell	257,317	31 December 2022	Yes	257,317	3 January 2023	\$0.93	\$239,305

### Performance Rights Holdings - Executive KMP

	Balance at the start of the year	Granted as remuneration	Vested and Exercised	Vested and Not Exercised	Forfeited	Lapsed	Balance at the end of the year
Danny McCarthy	-	1,467,480	733,740	733,740	-	-	-
Nathan Boom	-	658,536	329,268	329,268	-	-	-
Megan Etcell	-	514,634	257,317	257,317	-	-	-

On 25 July 2023, the Company cancelled performance rights to be issued to key management personnel totalling 1,447,967. A total of 1,320,325 held by Executive KMP were cancelled by agreement between the Company and the holder and settled for cash consideration. A total of 127,642 were cancelled due to the performance rights no longer being capable of being satisfied.



# Remuneration report (cont)

## 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	Amount held when ceased to be KMP <sup>(8)</sup>	Balance at the end of the year
<b>Non-Executive Directors</b>						
G Campbell <sup>(1)</sup>	-	-	280,000	-	(280,000)	-
M Hunter <sup>(2)</sup>	1,392,309	-	-	-	(1,392,309)	-
G Lewis <sup>(3)</sup>	1,118,615	-	881,385	-	-	2,000,000
M Lochtenberg <sup>(4)</sup>	8,402,393	-	600,000	-	-	9,002,393
C Lyons	-	-	-	-	-	-
S Kyriakou <sup>(5)</sup>	369,962	-	-	-	(369,962)	-
M Ludski <sup>(6)</sup>	-	-	-	-	-	-
<b>Executive KMP</b>						
C Ransley <sup>(7)</sup>	27,861,863	-	-	-	(27,861,863)	-
D McCarthy <sup>(3)</sup>	1,000	733,740	2,319,058	-	-	3,053,798
N Boom	-	329,268	-	-	-	329,268
M Etccl <sup>(3)</sup>	2,110	257,317	196,906	-	-	456,333

(1) Appointed 28 January 2022, appointed Non-Executive Chairman 8 July 2022 and previously held the role of Non-Executive Director. Resigned 19 May 2023

(2) Resigned 3 October 2022

(3) Mr Lewis, Mr McCarthy and Ms Etccl (via nominees) are all unitholders of Rainbow Max Limited as trustee for Rainbow Max Unit Trust

(4) Appointed Chairman on 19 May 2023

(5) Resigned 28 November 2022

(6) Appointed 7 December 2022

(7) Resigned 8 July 2022

(8) Shares held on appointment / resignation

### Loans with Executive KMP and Non-Executive Directors

There were no loans outstanding to Executive KMP or any Non-Executive Director or their related parties at any time in the current or prior reporting periods.

### Other KMP Transactions

Apart from the details disclosed in this report, no Executive KMP or Non-Executive Director or their related parties has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving those people's interests existing at year end.

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



**Mark Lochtenberg**

Non-Executive Chairman  
31 August 2023, Sydney



**Danny McCarthy**  
Managing Director



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# Financial Report

## GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2023. The Directors have the power to amend and reissue the financial statements.

## IN THIS SECTION

Consolidated statement of profit or loss	38
Consolidated statement of other comprehensive income	39
Consolidated statement of financial position	40
Consolidated statement of changes in equity	42
Consolidated statement of cash flows	43
Notes to the consolidated financial statements	44
Directors' declaration	105
Independent Auditor's report	106





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Consolidated Statement of Profit or Loss for the year ended 30 June 2023

	Note(s)	Consolidated	
		2023	2022
		\$ '000	\$ '000
Revenue		660,639	804,626
Cost of goods sold	3	(312,267)	(390,145)
<b>Gross profit</b>		<b>348,372</b>	<b>414,481</b>
Net foreign exchange gain		1,165	1,424
Other operating and administration expenses	4	(19,865)	(37,873)
Share of profit of investments accounted for using the equity method	39	43,044	20,940
Finance income		4,940	1,362
Finance expenses	5	(2,312)	(45,452)
Depreciation and amortisation expense		(14,334)	(27,564)
Gain on deconsolidation	40	-	30,690
Impairment of assets		-	(6,730)
Loss on disposal of fixed assets		-	(1)
<b>Profit before taxation</b>		<b>361,010</b>	<b>351,277</b>
Income tax expense	7	(98,517)	(102,168)
<b>Profit after taxation</b>		<b>262,493</b>	<b>249,109</b>
<b>Profit attributable to:</b>			
Owners of TerraCom Limited		262,096	196,131
Non-controlling interest		397	52,978
		<b>262,493</b>	<b>249,109</b>
<b>Earnings per share for profit attributable to the owners of TerraCom Limited</b>			
Basic earnings per share (cents)	8	32.76	25.95
Diluted earnings per share (cents)	8	32.76	25.89

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



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

Note(s)	Consolidated	
	2023	2022
	\$ '000	\$ '000
Profit / (loss) for the year	262,493	249,109
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Exchange differences on translation of foreign operations	104	(8,366)
Other comprehensive income for the year net of taxation	104	(8,366)
<b>Total comprehensive income / (loss) for the year</b>	<b>262,597</b>	<b>240,743</b>
<b>Total comprehensive income / (loss) for the year attributable to:</b>		
Owners of TerraCom Limited	262,200	190,474
Non-controlling interest	397	50,269
	<b>262,597</b>	<b>240,743</b>

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



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Consolidated Statement of Financial Position as at 30 June 2023

	Notes(s)	Consolidated	
		2023 \$ '000	2022 \$ '000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	44,032	69,572
Trade and other receivables	10	19,109	61,426
Inventories	11	15,566	6,005
Loan receivable	12	-	4,169
		<b>78,707</b>	<b>141,172</b>
<b>Non-Current Assets</b>			
Trade and other receivables	10	5,933	17,520
Restricted cash	13	66,946	45,031
Investments accounted for using the equity method	39	79,934	92,781
Other financial assets	14	2,661	1,512
Property, plant and equipment	15	90,972	93,376
Exploration and evaluation assets	16	14,366	14,149
Other non-current assets	18	16,685	16,667
		<b>277,497</b>	<b>281,036</b>
<b>Total Assets</b>		<b>356,204</b>	<b>422,208</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	39,144	108,457
Current tax liability	7	64,396	44,730
Borrowings	20	2,786	12,073
Lease liabilities	21	1,017	363
Provisions	22	6,490	3,192
		<b>113,833</b>	<b>168,815</b>
<b>Non-Current Liabilities</b>			
Borrowings	20	3,469	24,847
Lease liabilities	21	-	51
Deferred tax	7, 17	9,273	11,839
Provisions	22	61,780	71,031
		<b>74,522</b>	<b>107,768</b>
<b>Total Liabilities</b>		<b>188,355</b>	<b>276,583</b>
<b>Net Assets</b>		<b>167,849</b>	<b>145,625</b>





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Consolidated Statement of Financial Position as at 30 June 2023 (continued)

	Note(s)	Consolidated 2023 \$ '000	2022 \$ '000
<b>EQUITY</b>			
Issued capital	23	376,011	373,203
Reserves	25, 26	22,927	21,995
Accumulated losses	27	(231,605)	(249,692)
Total equity attributable to the owners of TerraCom Limited		167,333	145,506
Non-controlling interest	28	516	119
<b>Total equity</b>		<b>167,849</b>	<b>145,625</b>

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

# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023



## Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Share based payments/ options reserve \$ '000	Accumulated losses \$ '000	Total Equity Attributable to the owners of TerraCom Limited \$ '000	Non- controlling interest \$ '000	Total equity \$ '000
<b>Balance at 01 July 2021</b>	<b>335,657</b>	<b>29,760</b>	-	<b>(445,823)</b>	<b>(80,406)</b>	<b>52,901</b>	<b>(27,505)</b>
Profit for the year after income tax	-	-	-	196,131	196,131	52,978	249,109
Other comprehensive income	-	(5,657)	-	-	(5,657)	(2,709)	(8,366)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(5,657)</b>	<b>-</b>	<b>196,131</b>	<b>190,474</b>	<b>50,269</b>	<b>240,743</b>
Deconsolidation of subsidiaries FCTR (note 40)	-	(2,108)	-	-	(2,108)	(9,620)	(11,728)
Deconsolidation of subsidiaries (note 40)	-	-	-	-	-	(89,690)	(89,690)
Share issue (conversion of debt) (note 23)	36,650	-	-	-	36,650	-	36,650
Share issue (issue of options) (note 23)	1,165	-	-	-	1,165	-	1,165
Share issue transaction costs (note 23)	(269)	-	-	-	(269)	-	(269)
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	-	(3,741)	(3,741)
<b>Balance at 30 June 2022</b>	<b>373,203</b>	<b>21,995</b>	<b>-</b>	<b>(249,692)</b>	<b>145,506</b>	<b>119</b>	<b>145,625</b>
<b>Balance at 01 July 2022</b>	<b>373,203</b>	<b>21,995</b>	<b>-</b>	<b>(249,692)</b>	<b>145,506</b>	<b>119</b>	<b>145,625</b>
Profit for the year after income tax	-	-	-	262,096	262,096	397	262,493
Other comprehensive income	-	104	-	-	104	-	104
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>262,096</b>	<b>262,200</b>	<b>397</b>	<b>262,597</b>
Dividends paid to shareholders of TerraCom Limited	-	-	-	(244,009)	(244,009)	-	(244,009)
Share issue (issue of options and share based payment) (note 23, 26)	1,851	-	-	-	1,851	-	1,851
Transfer from share based payment reserve (note 23, 26)	1,201	-	(1,201)	-	-	-	-
Share based payments (note 26)	-	-	2,029	-	2,029	-	2,029
Share issue transaction costs (note 23)	(244)	-	-	-	(244)	-	(244)
<b>Balance at 30 June 2023</b>	<b>376,011</b>	<b>22,099</b>	<b>828</b>	<b>(231,605)</b>	<b>167,333</b>	<b>516</b>	<b>167,849</b>

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



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Note(s)	Consolidated	
		2023 \$ '000	2022 \$ '000
<b>Cash flows from operating activities</b>			
Cash receipts from customers (inclusive of GST/VAT)		661,413	825,732
Cash paid to suppliers and employees (inclusive of GST/VAT)		(382,440)	(453,939)
Interest received		4,177	5,018
Tax payments made		(79,642)	(5,103)
Interest paid		(1,885)	(52,422)
Receipts / (payments) relating to secured deposits		-	(3,640)
<b>Net cash from operating activities</b>	<b>30</b>	<b>201,623</b>	<b>315,646</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	15	(10,729)	(7,653)
Proceeds from sale of property, plant and equipment		28	-
Payments for exploration and evaluation		-	(136)
Payments for financial asset (mining rehabilitation guarantee)		(21,918)	(32)
Repayment of loans by Ndalamo Resources		3,913	4,217
Other assets investments		(600)	-
Deconsolidation – cash and cash equivalents	40	-	(18,596)
Loan to associates		(80)	-
Repayments from associates		26,623	-
Dividends received from associates	39	45,930	8,353
<b>Net cash (used in) / from investing activities</b>		<b>43,167</b>	<b>(13,847)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		583	1,165
Proceeds from borrowings		-	2,992
Repayment of borrowings	32	(26,623)	(244,125)
Transfer to restricted cash		-	(365)
Repayment of principal component of lease liabilities		(642)	(1,567)
Dividends paid to shareholders of TerraCom Limited		(244,009)	(3,742)
<b>Net cash (used in) / from financial activities</b>		<b>(270,691)</b>	<b>(245,642)</b>
Total cash movement for the year		(25,901)	56,157
Cash at the beginning of the year		69,572	11,186
Effect of exchange rate movement on cash equivalents		361	2,229
<b>Total cash and cash equivalents at end of the year</b>	<b>9</b>	<b>44,032</b>	<b>69,572</b>

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





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 1. Significant accounting policies

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

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

#### 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. The adoption of these new or amended Accounting Standards and Interpretations did not have a material impact to the consolidated financial statements.

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

#### 1.2 Basis of preparation

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

#### Going Concern

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

As at 30 June 2023 the Group had a net current asset deficiency of \$35.126 million (30 June 2022: \$27.643 million).

During the period, the Group generated a profit after tax of \$262.493 million and cash inflows from operating activities of \$201.623 million, driven by strong global demand for commodities. The Group is largely debt free, with the exception of a \$6.255 million loan held by TerraCom Limited's wholly owned South African Subsidiary, Universal Coal Energy Holdings South Africa (UCEHSA), which has on-lent the funds to the now deconsolidated South African operations.

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

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

#### Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 1.2 Basis of preparation (continued)

#### Critical accounting estimates

The preparation of the consolidated 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 consolidated financial statements, are disclosed in Note 2.

These accounting policies are consistent with the previous period.

### 1.3 Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 37.

### 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 2023 and the results of all subsidiaries for the year then ended.

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 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated 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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (AUD), which is TerraCom Limited's presentation currency. The functional currency of TerraCom Limited and the Australian and the United Kingdom subsidiaries are Australian dollars (AUD), the South African subsidiaries are South African Rand (ZAR). From 1 July 2022, the functional currency of TerraCom Limited and subsidiaries changed from United States Dollars (USD) to Australian Dollars (AUD).



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.6 Foreign currency translation (continued)

Foreign currency transactions are translated into the functional currency 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 income 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 translation reserve in equity.

The foreign currency translation 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

The Group recognizes sales revenue related to the transfer of promised goods or services when control of the goods or services is transferred to the customer. The amount of revenue recognised reflects the consideration to which the Group is, or expects to be entitled to in exchange for those goods or services.

Sales revenue is recognised on individual sales when control transfers to the customer.

The Group sells its products on Free on Board terms where the Group has no responsibility for freight or insurance once control of the goods has passed at the loading port. Under these terms there is only one performance obligation: the provision of goods at the point when control passes to the customer.

The Group's products are sold to customers under the contracts that vary in tenure and pricing mechanisms, primarily being monthly or quarterly indexes. Certain sales may be provisionally priced at the date revenue is recognised; however, substantially all coal sales are reflected at final prices by the end of the reporting period. The final selling price is based on the price for the quotational period stipulated in the contract.





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.7 Income tax (continued)

##### 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 Current and non-current classification

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

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

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

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

#### 1.10 Cash and cash equivalents

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

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



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.11 Trade and other receivables

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

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

#### 1.12 Inventories

Stock on hand is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of coal inventories is determined using a weighted average basis. Cost includes direct material, overburden removal, mining, processing, labour, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. The tonnes of contained coal are based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. Where coal stock is purchased from third party, the cost includes purchase cost and delivery cost, net of rebates and discounts received or receivable.

#### 1.13 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.

#### 1.14 Investments and other financial assets

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

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

#### Financial assets at amortised cost

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



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.14 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 debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation, impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

#### 1.15 Property, plant and equipment

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 straight-line basis with expected useful lives as follows:

Item	Depreciation method	Average useful life
Freehold land	No depreciated	N/A
Furniture, fixtures and fittings	Straight line	1-10 years
Office equipment	Straight line	1-10 years
Mine development	Units of production	

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 shorter of the lease term and the estimated useful lives of the assets. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### 1.16 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.





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.17 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 consolidated 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.

#### 1.18 Impairing 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.

#### 1.19 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.

#### 1.20 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.

#### 1.21 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 (including in-substance 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 be exercised by the Group, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. 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.

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.22 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 mine 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 profit or loss as it occurs.

For closed mines, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

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 profit or loss as incurred.

#### 1.23 Finance cost

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.

#### 1.24 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.

#### 1.25 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

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### 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.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.25 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 Group elects to transfer the share-based reserve for cancelled share options to accumulated losses.

#### 1.26 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.

#### 1.27 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.





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.27 Fair value measurement (continued)

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

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

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

#### 1.28 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.

#### 1.29 Dividends

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

#### 1.30 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.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 1.30 Business combinations (continued)

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.

#### 1.31 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.

#### 1.32 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 consolidated 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.

#### 1.33 Rounding

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.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 2. Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated 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.

##### **Determining fair value of investment retained in the former subsidiary**

In the prior year, in order to recognise the fair value of the investment retained, the Group assessed the fair value of the estimated future cash flows which 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 fair value of the underlying entities. Refer to note 40 for further information on loss of control and deconsolidation.

##### **Carrying value of mining assets**

The Group assesses at the end of each reporting period, whether there is any indication that a mining asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the mining assets. 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. Refer to Note 15 for further information.

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. Refer to Note 16 for further information.

##### **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 mine development asset, rehabilitation provisioning and amortisation and depreciation.





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

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

#### 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. Refer to Note 22 for further information.

#### 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. Refer to note 24 for further details.

#### 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.

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 maybe 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.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 3. Operating segments (continued)

The CODM reviews Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, impairment of exploration assets, gain on deconsolidation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

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

#### Types of products and services

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

Australia Coal exploration and extraction activities within Australia

South Africa Coal exploration and extraction activities in South Africa

Corporate Various business development and support activities that are not allocated to operating segments.

#### 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 consolidated financial statements of the Group.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 3. Operating segments (continued)

##### Operating segment information

2023

	Australia \$ '000	South Africa \$ '000	Unallocated /Corporate \$ '000	Total \$ '000
<b>Revenue</b>				
Sales to external customers	649,713	10,926	-	660,639
Cost of goods sold	(302,848)	(9,419)	-	(312,267)
<b>Gross Profit</b>	<b>346,865</b>	<b>1,507</b>	<b>-</b>	<b>348,372</b>
Other operating and administration expenses	(432)	(1,680)	(17,753)	(19,865)
Net foreign exchange gain	-	526	639	1,165
Share of profits of investments accounted for using the equity method	-	43,044	-	43,044
Depreciation and amortisation expense	(14,010)	(289)	(35)	(14,334)
Net finance income – (expenses)	970	1,988	(330)	2,628
<b>Profit before taxation</b>	<b>333,393</b>	<b>45,096</b>	<b>(17,479)</b>	<b>361,010</b>
Profit before taxation				361,010
Income tax expense				(98,517)
<b>Profit after taxation</b>				<b>262,493</b>
<b>Assets</b>				
Segment assets	239,011	117,193	-	356,204
<b>Total assets</b>	<b>239,011</b>	<b>117,193</b>	<b>-</b>	<b>356,204</b>
<b>Total assets include additions and acquisitions of non-current assets</b>				
Property plant and equipment	11,329	-	-	11,329
Exploration and evaluation	-	292	-	292
	<b>11,329</b>	<b>292</b>	<b>-</b>	<b>11,621</b>
<b>Liabilities</b>				
Segment liabilities	172,301	16,054	-	188,355
<b>Total liabilities</b>	<b>172,301</b>	<b>16,054</b>	<b>-</b>	<b>188,355</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 3. Operating segments (continued)

2022	Australia \$ '000	South Africa* \$ '000	Unallocated /Corporate \$ '000	Total \$ '000
<b>Revenue</b>				
Sales to external customers	565,393	239,233	-	804,626
Cost of goods sold	(203,251)	(186,894)	-	(390,145)
<b>Gross Profit</b>	<b>362,142</b>	<b>52,339</b>	<b>-</b>	<b>414,481</b>
Other operating and administration expenses	(3,074)	(17,624)	(17,175)	(37,873)
Net foreign exchange gain / (loss)	(333)	3,855	(2,098)	1,424
Share of profits of associates accounted for using the equity method	-	20,940	-	20,940
Depreciation and amortisation expense	(14,505)	(12,695)	(363)	(27,563)
Loss on disposal	-	(1)	-	(1)
Impairment of exploration assets	(8,661)	1,931	-	(6,730)
Gain on deconsolidation	-	30,690	-	30,690
Net finance expenses	(2,535)	(4,566)	(36,990)	(44,091)
<b>Profit before taxation</b>	<b>333,034</b>	<b>74,869</b>	<b>(56,626)</b>	<b>351,277</b>
Profit before taxation				351,277
Income tax expense				(102,168)
<b>Profit after taxation</b>				<b>249,109</b>
<b>Assets</b>				
Segment assets	307,963	114,245	-	422,208
<b>Total assets</b>	<b>307,963</b>	<b>114,245</b>	<b>-</b>	<b>422,208</b>
<b>Total assets include additions and acquisitions of non-current assets</b>				
Property plant and equipment	5,123	2,530	-	7,653
Exploration and evaluation	76	53	-	129
	<b>5,199</b>	<b>2,583</b>	<b>-</b>	<b>7,782</b>
<b>Liabilities</b>				
Segment liabilities	228,114	48,469	-	276,583
<b>Total liabilities</b>	<b>228,114</b>	<b>48,469</b>	<b>-</b>	<b>276,583</b>

\* The South African Business Unit results noted above are included up to the date of deconsolidation. Refer Note 40 for further details.





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 3. Operating segments (continued)

#### Major customers

External revenue for the Group was derived from sales to the following customers:

	2023 \$ '000	2023 %	2022 \$ '000	2022 %
<b>Major customers</b>				
Eskom	-	0.0%	110,347	13.7%
Glencore	-	0.0%	77,474	9.6%
Vitol Asia	193,863	29.3%	239,243	29.8%
Other customers	466,775	70.7%	377,562	46.9%
	<b>660,638</b>	<b>100.0%</b>	<b>804,626</b>	<b>100.0%</b>

#### Geographic information

	2023 \$ '000		2022 \$ '000	
	Sales to external customers	Non-current assets	Sales to external customers	Non-current assets
Australia	649,713	176,862	565,393	189,047
South Africa	10,926	100,636	239,233	91,989
	<b>660,639</b>	<b>277,498</b>	<b>804,626</b>	<b>281,036</b>

### 4. Other operating and administration expenses

	Consolidated	
	2023 \$ '000	2022 \$ '000
Other operating and administration expenses	6,526	6,703
Consultant and professional fees	3,595	4,135
Employee benefits excluding superannuation expense	9,528	16,817
Superannuation expense	216	673
Bad debts written off / related party loan write off	-	9,545
	<b>19,865</b>	<b>37,873</b>

### 5. Finance expenses

	Consolidated	
	2023 \$ '000	2022 \$ '000
Interest expense on interest bearing loans	20	30,089
Unwinding of discount on rehabilitation provision	-	3,404
Interest on leases	11	134
Other interest and finance expense	1,013	4,084
Fair value on share issue (refer note 23)	1,268	7,741
<b>Total finance costs</b>	<b>2,312</b>	<b>45,452</b>

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



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 6. Remuneration of auditors

The following fees were paid or payable for services provided by BDO Audit Services Pty Ltd (TerraCom Limited Auditor) and BDO (UCEHSA Group auditor), the auditors of the Group:

	Consolidated	
	2023 \$	2022 \$
<b>Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities</b>		
Audit or review of the consolidated financial statements	1,348,546	1,625,665
<b>Other services</b>		
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	-	-
	<b>1,348,546</b>	<b>1,625,665</b>
<b>Audit services</b>		
Ernst & Young (Australia)	467,490	1,216,325
BDO (Australia)	750,000	-
BDO (United Kingdom)	-	86,405
BDO (South Africa)*	131,056	322,935
	<b>1,348,546</b>	<b>1,625,665</b>

\* Audit fees relating to the associates for the year ended 30 June 2023 is paid for by the controlling entity.

### 7. Taxation

#### Reconciliation of the tax expenses

	Consolidated	
	2023 \$ '000	2022 \$ '000
Current tax expense	99,294	52,413
Deferred tax expense / (benefit)	(777)	49,755
	<b>98,517</b>	<b>102,168</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 7. Taxation (continued)

	Consolidated	
	2023 \$ '000	2022 \$ '000
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Profit/(loss) before income tax benefit	361,010	351,277
Tax at the applicable tax rate of 30% (2022: 30%)	108,303	105,383
<b>Tax effect amounts which are not deductible/(taxable) in calculating taxable income</b>		
Non-taxable items	(12,903)	2,761
Deferred tax assets not recognised	-	(237)
Adjustments in respect of current income tax of previous years	13	5,601
Foreign exchange	352	700
Non-deductible expenses	1,511	(1,544)
Other	1,282	(10,625)
	<b>98,558</b>	<b>102,039</b>
Difference in overseas tax rates	(41)	129
<b>Income tax expense</b>	<b>98,517</b>	<b>102,168</b>

	2023	2023	2022	2022
	Current income tax payable	Deferred income tax	Current income tax payable	Deferred income tax
Opening balance	(44,730)	(11,839)	-	10,501
Charged to income – corporate tax	(99,294)	777	(52,413)	(49,755)
Charged to equity	-	(244)	-	269
Recognition/utilisation of deferred tax asset on current year losses	-	-	-	27,146
Adjustment for prior periods	(14)	2,033	2,580	-
Payments	79,642	-	5,103	-
<b>Closing balance</b>	<b>(64,396)</b>	<b>(9,273)</b>	<b>(44,730)</b>	<b>(11,839)</b>

#### Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

Tax losses (South Africa)	-	(395)
<b>Total deferred tax assets not recognised</b>	<b>-</b>	<b>(395)</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 8. Earnings per share

#### Basic earnings / (loss) per share

Basic earnings per share is determined by dividing profit (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Consolidated	
2023	2022

Basic earnings per share (cents per share)	32.76	25.95
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Basic earnings per share was based on earnings of \$262.096 million (2022: profit of \$196.131 million) and a weighted average number of ordinary shares of 799,958,960 (2022: 755,910,873).

Consolidated	
2023	2022
\$ '000	\$ '000

#### Reconciliation of profit (loss) for the year to basic earnings

Profit (loss) for the year attributable to equity holders of the parent	262,096	196,131
	<b>262,096</b>	<b>196,131</b>

#### Diluted earnings per share

Consolidated	
2023	2022

Diluted earnings per share (cents per share)	32.76	25.89
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Diluted earnings per share was based on earnings of \$262.097 million (2022: profit of \$196.131 million and a weighted average number of ordinary shares inclusive of unquoted options of 799,958,960 (2022: 757,577,540).

There were no dilutive instruments at the 2023 year end.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Consolidated	
2023	2022
\$ '000	\$ '000

Cash at bank	44,032	69,572
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## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 10. Trade and other receivables

Split between current and non-current portions:

	Consolidated	
	2023 \$ '000	2022 \$ '000
<b>Current</b>		
Trade receivables	9,112	43,096
Loan receivables – related parties	2,777	12,303
Other receivables	7,220	6,027
<b>Total trade and other receivables - current</b>	<b>19,109</b>	<b>61,426</b>
<b>Non-Current</b>		
Loan receivables – related parties	3,469	15,045
Long service leave receivable	2,464	2,475
<b>Total trade and other receivables – non-current</b>	<b>5,933</b>	<b>17,520</b>
<b>Total trade and other receivables</b>	<b>25,042</b>	<b>78,946</b>

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

The loan receivables – related parties balance is net of provisions for expected credit loss and relates to funds owing from the deconsolidated South African entities which have drawn funds against the loan with The Standard Bank of South Africa. As disclosed in note 20, UCEHSA is the main borrower, on behalf of the entities. Refer to Note 35 for further details on the terms and conditions of this related party receivables.

The other receivables balance 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.

#### 11. Inventories

	Consolidated	
	2023 \$ '000	2022 \$ '000
Coal Stock	9,646	5,537
Consumables and stores	5,920	468
	<b>15,566</b>	<b>6,005</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 12. Loans receivable

	Consolidated	
	2023 \$ '000	2022 \$ '000
Ndalamo Resources (Pty) Limited – loan receivable	-	4,169
	<b>-</b>	<b>4,169</b>

#### Split between current and non-current portions:

Total receivable	-	4,169
<b>Total current asset</b>	<b>-</b>	<b>4,169</b>

The loan receivable was established in 2015 for funding contributions pursuant 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 The Standard Bank of South Africa) 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, as reported for the financial year ended 30 June 2021, was 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.

#### 13. Restricted cash

	Consolidated	
	2023 \$ '000	2022 \$ '000
Bank deposit	28	31
Security deposit	66,918	45,000
	<b>66,946</b>	<b>45,031</b>

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

The security deposit relates to the cash pledged as security for the issuance of insurance bond to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Blair Athol Coal Mine's Environmental Authority EPML00876713. The security deposit is held by Westpac, which at reporting date was bearing an interest rate of 4.10% per annum.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 14. Other financial assets

	Consolidated	
	2023 \$ '000	2022 \$ '000
Mining rehabilitation guarantees	2,061	1,512
Other investment	600	-
	<b>2,661</b>	<b>1,512</b>

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 the Department of Mineral Resources and Energy in South Africa.

The Group provides a cash deposit to the insurer and pays them annual premium payments to cover the shortfall between the cash deposits provided and the rehabilitation provision.

This financial asset comprises the deposits paid to the insurer, plus interest, less charges.

#### 15. Property, plant and equipment

Consolidated	2023			2022		
	Cost \$ '000	Accumulated depreciation \$ '000	Carrying Value \$ '000	Cost \$ '000	Accumulated depreciation \$ '000	Carrying value \$ '000
Land and buildings	6,331	-	6,331	6,331	-	6,331
Plant and machinery	45,052	(22,561)	22,491	43,519	(21,132)	22,387
Mine development	165,575	(108,934)	56,641	167,101	(103,953)	63,148
Right-of-use assets – land and buildings	638	(637)	1	638	(403)	235
Right-of-use assets – plant and equipment	4,021	(3,015)	1,006	3,463	(3,233)	230
Capital – work in progress	4,502	-	4,502	1,045	-	1,045
<b>Total</b>	<b>226,119</b>	<b>(135,147)</b>	<b>90,972</b>	<b>222,097</b>	<b>(128,721)</b>	<b>93,376</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

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

Reconciliation of property, plant and equipment	Opening balance \$ '000	Additions \$ '000	Disposals \$ '000	Transfers \$ '000	Derecognition \$ '000	Change in estimate \$ '000	Exchange differences \$ '000	Depreciation \$ '000	Total \$ '000
<b>Consolidated – 2023</b>									
Land and buildings	6,331	-	-	-	-	-	-	-	6,331
Plant and machinery	22,387	6,298	(53)	-	-	-	(360)	(5,781)	22,491
Mine development	63,148	902	-	-	-	-	484	(7,893)	56,641
Right-of-use assets – land & buildings	235	-	-	-	-	-	(17)	(217)	1
Right-of-use assets – plant & equipment	230	1,202	-	-	-	-	17	(443)	1,006
Capital – work in progress	1,045	3,529	-	-	-	-	(72)	-	4,502
<b>Total</b>	<b>93,376</b>	<b>11,931</b>	<b>(53)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>(14,334)</b>	<b>90,972</b>
<b>Consolidated – 2022</b>									
Land and buildings	5,831	-	-	-	-	-	500	-	6,331
Plant and machinery	32,087	587	(113)	6,767	(10,010)	607	(2,309)	(5,229)	22,387
Mine development	224,744	1,049	-	2,866	(149,856)	-	5,429	(21,084)	63,148
Right-of-use assets – land & buildings	535	-	-	-	(83)	-	(16)	(201)	235
Right-of-use assets – plant & equipment	1,462	240	(650)	-	-	15	213	(1,050)	230
Capital – work in progress	20,469	5,777	(95)	(9,633)	(15,256)	(660)	443	-	1,045
<b>Total</b>	<b>285,128</b>	<b>7,653</b>	<b>(858)</b>	<b>-</b>	<b>(175,205)</b>	<b>(38)</b>	<b>4,260</b>	<b>(27,564)</b>	<b>93,376</b>

#### Right-of-use assets

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





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

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

##### 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 consolidated statement of profit or loss 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.

No indicators of impairment were identified for the period ended 30 June 2022 and 30 June 2023 and as a result no detailed impairment testing was required.

In the event that impairment testing is required 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 recoverable value of the Company's Coal Resources and Reserves (including its plant and equipment) is most sensitive to the following items:

1. Domestic thermal coal demand. In determining this the Company considers 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 considers its export contracted volumes, as well as the forecasted coal demand over the mine life.
3. USD coal prices. In determining this the Company considers the futures pricing on or around period end.
4. ZAR:USD foreign exchange rate. In determining this the Company considers the futures pricing on or around period end.
5. 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.
6. 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.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 16. Exploration and evaluation assets

Consolidated	2023			2022		
	Cost \$ '000	Impairment/ Deconsolid- ation \$ '000	Carrying value \$ '000	Cost \$ '000	Impairment/ Deconsolid- ation \$ '000	Carrying value \$ '000
Exploration and evaluation	14,366	-	14,366	123,697	(109,548)	14,149

### Reconciliation of exploration and evaluation assets

	Opening balance \$ '000	Additions \$ '000	Deconsolid- ation \$ '000	Exchange differences \$ '000	Impairment loss \$ '000	Total \$ '000
<b>Consolidated – 2023</b>						
Exploration and evaluation	14,149	292	-	(75)	-	14,366
<b>Consolidated – 2022</b>						
Exploration and evaluation	123,568	129	(99,653)	(3,165)	(6,730)	14,149

### 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.

During the year ending 30 June 2023, there has been nil indicators of impairment related to market conditions. The Group identified a number of indicators of impairment during the year ended 30 June 2022 resulting in a \$6,730,000 impairment which was recognised as an impairment in the Statement of Profit or Loss.

Due to a change in the short term strategic plans of the TerraCom Group, the Group has now fully impaired all Australian exploration assets. During FY2022 this has meant that the carrying value of the Springsure Project (owned 90% by TerraCom) and the adjoining Fernlee Project (owned 100% by TerraCom) have been written down to \$nil. These tenements have been written down to \$nil from an accounting point of view only, and therefore the Company is committed to continuing to maintain compliance with the terms of the tenement licence, including completing the necessary exploration activities (as amended) with the mining department in order to preserve the long term value that these projects could provide to the TerraCom Group. The Company may also look to other value accretive opportunities with these tenements, such as joint venture or earn in agreements with third parties, noting there would be no accounting impact as the carrying value of these assets are \$nil. The short term strategic plan change of the TerraCom Group is to allow it to focus on its existing cash generative operations in Australia and South Africa in order to extract maximum value by taking advantage of the current market conditions, and its South African projects (primarily the Eloff thermal coal project and the Berenice Cygnus coking coal project) which are more advanced in the approvals and development timeline compared to the Australia exploration assets.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 16. Exploration and evaluation (continued)

##### Australian mining and exploration tenements

Tenement No.	Operation/Project	Location	2023	2022
EPC 1260	Northern Galilee (Clyde Park)	Charters Towers, Queensland, Australia	64.40%	64.40%
EPC 1300	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC1394	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1477	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1478	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1641 *	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	0%	100%
EPC 2049	Northern Galilee (Hughenden)	Charters Towers, Queensland, Australia	100%	100%
EPC 1890	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1892	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1893	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1962 *	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	0%	100%
EPC 1964	Northern Galilee (Pentland)	Rockhampton, Queensland, Australia	100%	100%
EPC 1674	Springsure (Springsure)	Emerald, Queensland, Australia	87%	90.07%
MDL 3002	Springsure (Springsure)	Emerald, Queensland, Australia	87%	90.07%
EPC 1103	Springsure (Fenlee)	Emerald, Queensland, Australia	100%	100%
ML 1804	Blair Athol	Blair Athol, Queensland, Australia	100%	100%

\* Tenement relinquished following non-renewal on expiry date during the year

##### South African mining and prospecting rights

Tenement No.	Operation/Project	Location	2023	2022
MP30/5/1/2/2/429MR	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.5%	70.5%
MP30/5/1/1/2/641PR ^	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	0%	70.5%
MP30/5/1/1/2/10179MR @	Kangala Colliery	Delmas, Mpumalanga Province, South Africa	70.5%	0%
LP30/5/1/1/2/376PR ^	Berenice Project *	Waterpoort, Limpopo Province, South Africa	0%	50%
LP30/5/1/2/3/2/1 (10131) MR	Berenice Project *	Waterpoort, Limpopo Province, South Africa	50%	0%
LP30/5/1/1/2/376PR	Berenice Project *	Waterpoort, Limpopo Province, South Africa	50%	50%
MP30/5/1/2/2/10027MR	Ubuntu Colliery *	Delmas, Mpumalanga Province, South Africa	48.9%	48.9%
MP30/5/1/1/2/492MR	New Clydesdale Colliery *	Kriel, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/2/2/10169MR	Eloff Project *	Delmas, Mpumalanga Province, South Africa	49%	49%



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 16. Exploration and evaluation (continued)

Tenement No.	Operation/Project	Location	2023	2022
MP30/5/1/2/1/326MR	North Block Complex (Glisa) *	Belfast, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/1/2/19MR (10068MR)	North Block Complex (Eerstelingsfontein) *	Belfast, Mpumalanga Province, South Africa	49%	49%
MP30/5/1/2/2/10090MR	North Block Complex (Paardeplaats) *	Belfast, Mpumalanga Province, South Africa	49%	49%
LP30/5/1/1/2/1276PR ^	Cygnus Project *	All Days (Waterpoort), Limpopo Province, South Africa	0%	50%
LP 30/5/1/2/2/10169MR	Cygnus Project *	All Days (Waterpoort), Limpopo Province, South Africa	50%	0%

\* Held through equity accounted investment

^ Prospecting right lapsed after the Mining Right lodged

@ Mining right application in progress

### 17. Deferred tax

	Consolidated	
	2023	2022
	\$'000	\$'000
Tax losses		
Deferred tax asset comprises temporary differences attributable to:		
Provision	18,375	22,267
Leases	14	-
Other	999	2,092
Offset of deferred tax liability	(19,570)	(24,635)
	(182)	(276)
<b>Amounts recognised in equity</b>		
Transaction costs on share issue	182	276
<b>Deferred tax asset – net</b>	-	-
Deferred tax liability comprises temporary differences attributable to:		
Property plant and equipment	(13,267)	(18,730)
Exploration and evaluation	-	(4,244)
Secured deposits	(13,500)	(13,500)
Consumables	(77)	-
Other	(1,999)	-
Offset of deferred tax asset	19,570	24,635
<b>Deferred tax liability – net</b>	<b>(9,273)</b>	<b>(11,839)</b>





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 17. Deferred tax (continued)

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 broad principles in AASB 112 Income Taxes.

### 18. Other non-current assets

	Consolidated	
	2023	2022
	\$ '000	\$ '000
Other deposits	16,685	16,667

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 an expected loss will be immaterial (less than 1%).

### 19. Trade and other payables

	Consolidated	
	2023	2022
	\$ '000	\$ '000
Trade and other payables	39,144	50,522
Deferred Revenue *	-	57,935
	<b>39,144</b>	<b>108,457</b>

\* *Deferred revenue relates to amounts received from customers. These are short term in nature and expected to deliver the goods to the customer within a 6 month period.*

### Fair value of trade and other payables

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

### 20. Borrowings

	Consolidated	
	2023	2022
	\$ '000	\$ '000
<b>Current borrowings</b>		
Overdraft	-	(230)
Standard Bank of South Africa facilities	2,777	12,303
Hire purchase	9	
	<b>2,786</b>	<b>12,073</b>
<b>Non-current borrowings</b>		
Standard Bank of South Africa facilities	3,469	24,847
	<b>3,469</b>	<b>24,847</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 20. Borrowings (continued)

#### Standard Bank of South Africa facilities

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

Drawn funds from the facility bear interest at three-month JIBAR plus 3.9% per annum and this is serviced quarterly, following drawdown. Repayments of the capital commenced on 30 September 2021 and are to occur on a quarterly basis over 16 equal payments.

Security over the debt facilities are standard for a facility of this nature, and involve first ranking security over assets, including bonds over movable, immovable, mining and surface rights in South Africa, as well as the equity holders of the operating subsidiaries have all pledged their shares as security in the operating subsidiaries to SBSA. Under the facility, the Group is subject to compliance with leverage & debt service cover ratio and interest coverage financial covenants. The Group has complied with all the covenants during the financial year.

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

### 21. 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:

	Consolidated	
	2023 \$ '000	2022 \$ '000
As at 1 July	414	1,932
Additions	1,202	94
Accretion of interest	58	134
Disposals	-	(3)
Payments	(647)	(1,701)
Exchange differences	(10)	46
Deconsolidation	-	(88)
	<b>1,017</b>	<b>414</b>
Current liabilities	1,017	363
Non-current liabilities	-	51
	<b>1,017</b>	<b>414</b>
The following are the amounts recognised in profit or loss:		
Depreciation expense	660	1,251
Interest expenses on lease liabilities	57	134
Expenses relating to leases of low-value assets	45	-
	<b>762</b>	<b>1,385</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 22. Provisions

##### Environmental

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the life of the estimated life of the mine (up to 25 years), which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates.

Reconciliation of provisions – 2023	Opening balance \$ '000	Deconsolidation \$ '000	Change in Estimate \$ '000	Unwinding of discount \$ '000	Rehabilitation \$ '000	Exchange differences \$ '000	Total \$ '000
<b>Mine rehabilitation and closure</b>							
Blair Athol	63,802	-	(1,920)	-	(4,635)	-	57,247
Kangala	4,023	-	82	-	-	(436)	3,669
Australian exploration assets	864	-	-	-	-	-	864
	<b>68,689</b>	<b>-</b>	<b>(1,838)</b>	<b>-</b>	<b>(4,635)</b>	<b>(436)</b>	<b>61,780</b>

Reconciliation of provisions – 2022	Opening balance \$ '000	Deconsolidation \$ '000	Change in Estimate \$ '000	Unwinding of discount \$ '000	Exchange differences \$ '000	Total \$ '000
<b>Mine rehabilitation and closure</b>						
Blair Athol	70,636	-	(7,695)	861	-	63,802
Kangala	4,178	-	-	-	(155)	4,023
New Clydesdale Colliery	40,693	(44,080)	-	826	2,561	-
North Block Colliery	37,292	(36,719)	-	1,480	(2,053)	-
Ubuntu Colliery	11,680	(11,928)	-	237	11	-
Australian exploration assets	864	-	-	-	-	864
	<b>165,343</b>	<b>(92,727)</b>	<b>(7,695)</b>	<b>3,404</b>	<b>364</b>	<b>68,689</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 22. Provisions (continued)

	Consolidated	
	2023 \$ '000	2022 \$ '000
<b>Other (Current)</b>		
<b>Current liability</b>		
Annual leave	4,148	3,192
Long service leave	2,342	-
	<b>6,490</b>	<b>3,192</b>
<b>Non-current liability</b>		
Rehabilitation	61,780	68,689
Long service leave	-	2,342
	<b>61,780</b>	<b>71,031</b>

A significant amount of the movement in the rehabilitation provision relates to actual rehabilitation work undertaken during the year. Other movement relates to the decrease in the Blair Athol mine rehabilitation provision relates to the year on the year change in macro assumptions relating to inflation and discount rate.

### 23. Issued capital

	2023	2022	2023	2022
	Shares	Shares	\$ '000	\$ '000
Issued				
Ordinary shares – fully paid	800,966,235	797,851,601	376,011	373,203

#### Movement in ordinary share capital

Details			Issue	
	Date	Shares	price	\$ '000
Opening Balance	1 July 2021	754,607,630		335,657
Ordinary shares issued to OCP Asia (Singapore) Pte Limited on conversion of USD20m convertible bond	16 June 2022	39,910,638	\$0.696	28,909
Fair value adjustment on ordinary shares issued to OCP Asia (Singapore) Pte Limited				7,741
Ordinary shares issued to Evolution Capital Pty Ltd following the exercise of unquoted options	16 June 2022	3,333,333	\$0.35	1,165
Share issue costs				(269)
<b>Closing Balance</b>	<b>30 June 2022</b>	<b>797,851,601</b>		<b>373,203</b>
Opening Balance	1 July 2022	797,851,601		373,203
Ordinary shares issued to Evolution Capital Pty Ltd following the exercise of unquoted options	29 Aug 2022	1,666,667	\$0.35	583
Ordinary shares issued to management following the vesting of performance rights	3 Jan 2023	1,447,967		1,201
Fair value adjustment on ordinary shares issued to Evolution capital				1,268
Share issue costs				(244)
<b>Closing Balance</b>	<b>30 June 2023</b>	<b>800,966,235</b>		<b>376,011</b>





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 23. Issued capital (continued)

##### 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 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 consolidated 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 as noted in Note 20 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 (2022: no default).

The capital risk management policy remains unchanged from the 2022 Annual Report.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 24. Share based payments

#### Directors and Executive KMP

Set out below is a summary of the performance rights granted by the Company during the year ended 30 June 2023:

Name	LTI series	Grant Date	Vesting Date	Number Granted	Value Per Share <sup>(1)</sup>	Number Vested	Vested %	Number Forfeited	Forfeited %	Total Award Value in Future Financial Years <sup>(2)</sup>
Danny McCarthy	2022 – T1	Nov 22 <sup>(3)</sup>	31 Dec 22	733,740	0.7800	733,740	100%	-	-	-
	2022 – T2	Nov 22 <sup>(3)</sup>	30 Jun 23	733,740	0.5818	733,740	100%	-	-	-
Nathan Boom	2022 – T1	Aug 22	31 Dec 23	329,268	0.8803	329,268	100%	-	-	-
	2022 – T2	Aug 22	30 Jun 23	329,268	0.6837	329,268	100%	-	-	-
Megan Etccl	2022 – T1	Aug 22	31 Dec 23	257,317	0.8803	257,317	100%	-	-	-
	2022 – T2	Aug 22	30 Jun 23	257,317	0.6837	257,317	100%	-	-	-

<sup>(1)</sup> The fair value of the performance right is determined with reference to the actual share price on Grant Date and adjusted for the present value of expected dividends over the vesting period.

<sup>(2)</sup> Calculated with reference to the grant date fair value. This value may change depending on the actual share price at vesting date.

<sup>(3)</sup> Performance Rights for all KMP were notified to Eligible Participants in August 2022 however, the value per share for D McCarthy is November 2022, being the date shareholder approval was obtained.

#### Evolution Capital Pty Ltd

On 19 November 2021, 5,000,000 unquoted options were issued to Evolution Capital Pty Ltd under a lead broker agreement. The options were issued at a strike price of \$0.35. Following the exercise of unquoted options, the Company issued 3,333,333 fully paid ordinary shares on 16 June 2022 and issued a further 1,666,667 fully paid ordinary shares on 29 August 2022. Refer to Note 23 for issuance of shares.

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

	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
<b>2023</b>								
	19 Nov 2021	19 Nov 2024	\$0.350	1,666,667	-	1,666,667	-	-
<b>Weighted average exercise price</b>			<b>\$0.3500</b>	<b>\$0.3500</b>	-	<b>\$0.3500</b>	-	-
<b>2022</b>								
	19 Nov 2021	19 Nov 2024	\$0.350	-	5,000,000	3,333,333	-	<b>1,666,667</b>
<b>Weighted average exercise price</b>			<b>\$0.3500</b>	<b>\$0.0000</b>	<b>\$0.3500</b>	<b>\$0.3500</b>	<b>\$0.0000</b>	<b>\$0.3500</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 25. Foreign currency translation reserve

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

Movements in the Foreign currency translation reserve during the current and previous financial year are set out below:

	Consolidated	
	2023 \$ '000	2022 \$ '000
At the beginning of the financial year	21,995	29,760
Foreign currency translation through other comprehensive income	104	(5,657)
Foreign currency from deconsolidation of subsidiaries	-	(2,108)
	<b>22,099</b>	<b>21,995</b>

### 26. Share-based payments reserve and other reserves

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 the share-based payments reserve during the current and previous financial year are set out below:

	Consolidated	
	2023 \$ '000	2022 \$ '000
At the beginning of the financial year	-	-
Share based payments expense during the year	2,029	-
Ordinary share issue	(1,201)	-
<b>Share based payments reserve and other reserves at the end of the financial year</b>	<b>828</b>	<b>-</b>

### 27. Accumulated losses

	Consolidated	
	2023 \$ '000	2022 \$ '000
Accumulated losses at the beginning of the financial year	(249,692)	(445,823)
Profit / (Loss) after income tax for the year	262,096	196,131
Dividends paid	(244,009)	-
<b>Accumulated losses at the end of the financial year</b>	<b>(231,605)</b>	<b>(249,692)</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 28. Other non-controlling interest

	Consolidated	
	2023 \$ '000	2022 \$ '000
Non-controlling interest	516	119
Opening balance	119	52,901
Loss attributable to non-controlling interest	397	50,269
Deconsolidation of subsidiaries - FCTR	-	(9,620)
Dividend from Subsidiary paid to non-controlling interest	-	(3,741)
Deconsolidation	-	(89,690)
	<b>516</b>	<b>119</b>

#### 29. Key management personnel disclosures

	2023	2022
	\$ '000	\$ '000
<b>Compensation to Executive KMP and Non-Executive Directors of the Group</b>		
Short-term employee benefits	5,857	9,689
Contributions to superannuation plans	92	594
Share-based compensation payments	1,917	-
<b>Total compensation</b>	<b>7,866</b>	<b>10,283</b>





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 30. Cash flow information

	Consolidated	
	2023 \$ '000	2022 \$ '000
Profit/(Loss) after income tax for the year	262,493	249,109
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	14,334	27,564
Fair value adjustment on share issue	1,268	7,741
Write off of related party loan	-	9,545
Impairment expense	-	6,730
Share-based payments	2,029	-
Foreign exchange differences	(2,559)	1,081
Gain on deconsolidation	-	(30,690)
Share of profit of investments accounted for using the equity method	(43,044)	(20,940)
<b>Changes in assets and liabilities*:</b>		
Movement in tax balances	18,875	96,014
Decrease in inventories	(9,564)	4,231
(Increase)/decrease in trade and other receivables	34,277	(89,027)
(Increase)/decrease in financial assets	280	5,995
(Increase)/decrease in other non-current assets	-	(3,244)
Increase/(decrease) in trade and other payables	(70,954)	55,633
Increase/(decrease) in provisions	(5,812)	(4,096)
	<b>201,623</b>	<b>315,646</b>

\* the changes in assets and liabilities above include the impact of the deconsolidation as disclosed in note 40.

#### 31. Dividends paid

TerraCom declared and paid dividends totalling \$244 million to shareholders during the year ended 30 June 2023 (2022: Nil), details as follows:

Period	Declaration Date	Amount (cents per share)	Franked Amount (cents per share)	Date of Payment
2022 Final Dividend	26 August 2022	\$0.10	\$0.00	19 September 2022
1 July 2022 to 30 September 2022	17 November 2022	\$0.10	\$0.10	9 December 2022
1 October 2022 to 31 December 2022	27 February 2023	\$0.075	\$0.075	23 March 2023
1 January 2023 to 31 March 2023	31 May 2023	\$0.03	\$0.03	27 June 2023



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 32. Financial instruments

#### Categories of financial instruments and fair value information

#### Categories of financial assets and fair value information

2023

	Note	Carrying value at amortised cost	Fair value
Trade and other receivables	10	25,042	25,042
Cash and cash equivalents	9	44,032	44,032
Restricted cash	13	66,946	66,946
Other financial asset	14	2,661	2,661
Other non-current asset (deposit)	18	16,685	16,685
		<b>155,366</b>	<b>155,366</b>

2022

	Note	Carrying value at amortised cost	Fair value
Loan receivable	12	4,169	4,169
Trade and other receivables	10	78,946	78,946
Cash and cash equivalents	9	69,572	69,572
Restricted cash	13	45,031	45,031
Other financial asset	14	1,512	1,512
Other non-current asset (deposit)	18	16,667	16,667
		<b>215,897</b>	<b>215,897</b>

#### Categories of financial liabilities and fair value information

2023

	Note	Carrying value at amortised cost	Fair value
Trade and other payables	19	39,144	39,144
Borrowings	20	6,255	6,255
Lease liabilities	21	1,017	1,017
		<b>46,416</b>	<b>46,416</b>

2022

	Note	Carrying value at amortised cost	Fair value
Trade and other payables	19	50,522	50,522
Borrowings	20	36,920	36,920
Lease liabilities	21	414	414
		<b>87,856</b>	<b>87,856</b>

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## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 32. Financial instruments (continued)

##### Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value (as at 30 June 2023 and 30 June 2022, no assets or liabilities are measured at fair value on a recurring basis), 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 unadjusted prices in active markets for identical assets or liabilities that the company 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.

The Group does not have any Level 1, Level 2 or Level 3 financial instruments as at 30 June 2023 or 30 June 2022.

##### 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.

##### Market risk

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.

##### 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 carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated 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. In addition, receivable balances are monitored on an ongoing basis.



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 32. Financial instruments (continued)

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.

The Group's maximum exposure is equal to the carrying amount of the financial assets, as outlined below:

Note	Carrying amount	
	2023 \$ '000	2022 \$ '000
Cash and cash equivalents	44,032	69,572
Trade and other receivables	25,042	78,946
	<b>69,074</b>	<b>148,518</b>

#### 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.

The maturity profile of contractual cash flows of non-derivative financial liabilities, are presented in the following table. The cash flows are undiscounted contractual amounts.

2023	Less than 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
<b>Non-interest bearing</b>				
Non-interest bearing trade payables	39,144	-	-	39,144
<b>Interest bearing – variable</b>				
Borrowings (excluding lease liabilities)	3,427	3,792	-	7,219
Other financial liabilities	-	-	-	-
Lease liabilities	489	584	-	1,073
	<b>43,060</b>	<b>4,376</b>	-	<b>47,436</b>





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 32. Financial instruments (continued)

2022	Less than 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
<b>Non-interest bearing</b>				
Non-interest bearing trade payables	50,522	-	-	50,522
<b>Interest bearing – variable</b>				
Borrowings (excluding lease liabilities)	15,404	27,062	-	42,466
Other financial liabilities	-	-	-	-
Lease liabilities	28	580	-	608
	<b>65,954</b>	<b>27,642</b>	-	<b>93,596</b>

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.

#### 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 cashflow forecasting.

#### Changes in liabilities arising from financing activities

2023	Opening \$ '000	Cash flows \$ '000	FX and other movements \$ '000	Closing \$ '000
Interest bearing loans and borrowings (excluding items listed below)	36,920	(26,623)	(4,042)	6,255
Current lease liabilities	414	(642)	1,245	1,017
<b>Total liabilities from financing activities</b>	<b>37,334</b>	<b>(27,265)</b>	<b>(2,797)</b>	<b>7,272</b>
2022	Opening \$ '000	Cash flows \$ '000	FX and other movements \$ '000	Closing \$ '000
Interest bearing loans and borrowings (excluding items listed below)	314,596	(244,125)	(33,551)	36,920
Current lease liabilities	1,932	(1,567)	49	414
<b>Total liabilities from financing activities</b>	<b>316,528</b>	<b>(245,692)</b>	<b>(33,502)</b>	<b>37,334</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 32. Financial instruments (continued)

The functional currency of the parent entity, its Australian exploration subsidiaries and United Kingdom subsidiaries is Australian dollars (AUD), the South African subsidiaries and associates functional currency is South African Rand (ZAR). As a result, currency exposure exists arising from the transaction and balances in currencies other than AUD and ZAR (Australian Dollars and South African Rand). The Group closely monitors its foreign exchange risk in Australia and South Africa to ensure it is at an acceptable level of risk.

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.

#### Foreign currency sensitivity analysis

Increase or decrease in rate	2023	2023	2022	2022
	AUD strengthened 1%	AUD weakened 1%	USD strengthened 1%	USD weakened 1%
<b>Impact on profit or loss before tax:</b>				
Cash and cash equivalents	2,008,269	(2,048,840)	97,434	(99,402)
Trade debtors	57,361	(58,520)	301,842	(307,940)
Restricted cash	438,544	(447,404)	307,613	(313,827)
Accounts payable	(6,131)	6,255	(18,713)	19,091
Borrowings	-	-	-	-
	<b>2,498,043</b>	<b>(2,548,509)</b>	<b>688,176</b>	<b>(702,078)</b>
<b>Impact on equity:</b>				
Cash and cash equivalents	(2,008,269)	2,048,840	(97,434)	99,402
Trade debtors	(57,361)	58,520	(301,842)	307,940
Restricted cash	(438,544)	447,404	(307,613)	313,827
Accounts payable	6,131	(6,255)	18,713	(19,091)
Borrowings	-	-	-	-
	<b>(2,498,043)</b>	<b>2,548,509</b>	<b>(688,176)</b>	<b>702,078</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 32. 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.

##### Interest rate profile

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

	Average interest rate		Carrying amount	
	2023	2022	2023	2022
	%	%	\$ '000	\$ '000
<b>Consolidated</b>				
Standard Bank of South Africa	10.79%	8.91%	6,240	37,150
Ndalamo Loan payable/(receivable)	-	9.25%	-	(4,169)
<b>Net exposure to cash flow interest rate risk</b>			<b>6,240</b>	<b>32,981</b>

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

##### 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 risk in prices. As commodity prices stabilise and market uncertainty is reduced the Group will consider strategies to manage this risk.

#### 33. Capital and leasing commitments

##### Exploration and evaluation commitments

	Consolidated	
	2023	2022
	\$ '000	\$ '000
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	889	1,382
One to five years	617	2,352
	<b>1,506</b>	<b>3,734</b>

The Group has low-value or short-term (less than 12 months) lease agreements which are not recognised as liabilities as disclosed in note 21.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 34. Contingent liabilities

The Group had contingent liabilities at 30 June 2023 in respect of:

- On 1 March 2023, the Company announced ASIC filed proceedings in the Federal Court of Australia against the Company and current and former directors and officers of the Company, being Mr McCarthy, Mr Boom, Mr Ransley and Mr King <sup>1</sup>.

The proceedings relate to disclosures made by the Company with respect to a former employee in early 2020. The Company has lawyers engaged and will vigorously defend the proceedings. Based on the legal timetable currently in place, the next Case Hearing is expected to be held in February 2024.

Other than noted above, the Group had no other contingent liabilities at 30 June 2023.

### 35. Related parties

#### Relationships

Parent entity	TerraCom Limited is the parent entity
Subsidiaries	Interests in subsidiaries are set out in note 38
Associates	Interests in associates include Universal Coal Development VI (Pty) Ltd and Universal Coal Logistics (Pty) Ltd

#### Related party balances

	Consolidated	
	2023	2022
	\$	\$
<b>Current receivables</b>		
Loan to Ndalamo Resources (Pty) Ltd – Payable to UCEHSA (refer below for details)	-	4,169,108
North Block Complex (Pty) Ltd loan payable to UCEHSA	1,455,575	2,955,490
Universal Coal Development IV (Pty) Ltd loan payable to UCEHSA	4,790,854	27,597,997
Universal Coal Development III (Pty) Ltd loan payable to UCEHSA	-	6,339,760

#### Current payables

Lewis Mining Consulting – Glen Lewis (director fees)	13,333	-
Craig Lyons (director fees)	16,250	-
Universal Coal Logistics (Pty) Ltd	208,422	-

#### Related party transactions

##### BEE/minority shareholder related parties in South Africa

	Consolidated	
	2023	2022
	\$	\$
Management fees received from Universal Coal Development IV (Pty) Ltd	2,105,298	-
Interest earned from Ndalamo Resources (Pty) Ltd	-	664,711
Interest earned from North Block Complex (Pty) Ltd	230,076	-
Interest earned from Universal Coal Development III (Pty) Ltd	132,109	-
Interest earned from Universal Coal Development IV (Pty) Ltd	1,000,829	-
Interest earned from Eloff Agriculture and Mining Company (Pty) Ltd	128,825	-
Distribution revenue received from Universal Coal Development IV (Pty) Ltd	6,677,930	-

<sup>1</sup> NSD176/2023 - Australian Securities and Investments Commission v TerraCom Limited ACN 143 533 537 & Ors



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 35. Related parties (continued)

#### Directors with TerraCom or controlled subsidiaries of the Group

	Consolidated	
	2023	2022
	\$	\$
Services from Lewis Mining Consulting – Glen Lewis	135,833	130,000
Services from OT21 Consulting – Shane Kyriakou	43,750	105,000
Services from Craig Lyons	218,750	255,000
Services from Campbell Advisory – Graeme Campbell	266,129	-
Services from Rivendell Capital – Matthew Hunter	73,750	-

Craig Ransley (former Executive Chairman) resigned 8 July 2022. A bonus in the amount of \$2.38 million was awarded to Mr Ransley for his work over a period of time in finalising the payment of the US\$167,000,000 Euroclear Bond which occurred in May 2022. An additional amount of \$930k was paid (subsequent to 30 June 2022) to Mr Ransley as an accelerated STI / LTI bonus for the 2022 financial year. Both of these payments were agreed between the Company and Mr Ransley before 30 June 2022 and were subsequently approved by shareholders at an Extraordinary General Meeting held on 13 September 2022.

#### Loans to/from related parties

##### Loan Receivable

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

Universal Coal and Energy Holdings South Africa (Pty) Ltd (**UCEHSA**) 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 was fully repaid on 30 June 2023.

##### 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 2023 is \$13,333 (30 June 2022: \$9,167).

##### 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 resigned 28 November 2022) and for additional advisory services. The amount payable to OT21 Consulting on 30 June 2023 is Nil (30 June 2022: \$17,500).

##### Craig Lyons

The payments made by the Company to Mr. Craig Lyons are for his services acting as Non-Executive Director (appointed 14 July 2020) and for additional advisory services. The amount payable to Mr. Lyons on 30 June 2023 is \$16,250 (30 June 2022: \$21,500).

##### Campbell Advisory – Graeme Campbell

The payments made by the Company to Mr. Graeme Campbell are for his services acting as Non-Executive Chairman (appointed 28 January 2022 and resigned 19 May 2023).





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 35. Related parties (continued)

#### Rivendell Capital Pty Ltd – Matthew Hunter

The payments made by the Company to Mr. Matthew Hunter are for his services acting as Non-Executive Director in respect of completion of audit committee services.

#### Terms and conditions

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

### 36. Events after the reporting period

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than the following:

- On 25 July 2023, the Company cancelled performance rights to be issued to key management personnel totalling 1,447,967. A total of 1,320,325 were cancelled by agreement between the Company and the holder and settled for cash consideration. A total of 127,642 were cancelled due to the performance rights no longer being capable of being satisfied.
- On 31 August 2023, the Directors declared a fully franked final dividend of 3 cents per share totalling \$24 million to be paid on 28 September 2023.

### 37. Parent entity information

Set out below is the supplementary information about the parent entity.

#### Summary of statement of profit or loss and other comprehensive income

	Consolidated	
	2023	2022
	\$ '000	\$ '000
Loss after income tax	(4,631)	(58,837)
Other comprehensive income for the year, net of tax	(7,313)	(600)
<b>Total comprehensive income</b>	<b>(11,944)</b>	<b>(59,437)</b>

#### Summary of Statement of financial position

	Consolidated	
	2023	2022
	\$ '000	\$ '000
<b>Assets</b>		
Non-current assets	127,647	128,305
Current assets	1,126	65,543
<b>Total assets</b>	<b>128,773</b>	<b>193,848</b>
<b>Liabilities</b>		
Non-current liabilities	370,631	-
Current liabilities	11,862	212,878
<b>Total liabilities</b>	<b>382,493</b>	<b>212,878</b>
<b>Total net assets (liabilities)</b>	<b>(253,720)</b>	<b>(19,030)</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 37. Parent entity information (continued)

#### Summary of Statement of Equity

	Consolidated	
	2023	2022
	\$ '000	\$ '000
<b>Equity</b>		
Issued Capital	374,232	363,683
Foreign currency translation reserve	(7,313)	(3,884)
Share based payments reserve	828	-
Dividends paid during the year	(244,009)	-
Accumulated losses	(377,458)	(378,829)
<b>Total deficiency</b>	<b>(253,720)</b>	<b>(19,030)</b>

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

The parent entity formed a closed group with a number of subsidiaries during the financial year ended 30 June 2023. Refer to Note 41 for further information.

#### Contingent liabilities

On 1 March 2023, the Company announced ASIC filed proceedings in the Federal Court of Australia against the Company and current and former directors and officers of the Company, being Mr McCarthy, Mr Boom, Mr Ransley and Mr King <sup>2</sup>.

The proceedings relate to disclosures made by the Company with respect to a former employee in early 2020. The Company has lawyers engaged and will vigorously defend the proceedings. Based on the legal timetable currently in place, the next Case Hearing is expected to be held in February 2024.

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

#### 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.

<sup>2</sup> NSD176/2023 - Australian Securities and Investments Commission v TerraCom Limited ACN 143 533 537 & Ors



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 38. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of a number of subsidiaries.

The Group's remaining interest in subsidiaries remains unchanged from the consolidated annual financial report for the year ended 30 June 2023 with the exception of one South African entity which was deconsolidated during the period. As noted elsewhere in this report, there has been no economic or equity interest change for the equity holders of the Company.

Name	Principal place of business / Country of incorporation	% holding 2023	% holding 2022
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 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%
TerraCom Resources DMCC	United Arab Emirates	100.00%	100.00%

\* Percentage of voting power is in proportion to ownership

# These subsidiaries entered into a Class Instrument 2016/785 dated 27 June 2023 and related deed of cross guarantee with TerraCom Limited

^ Deconsolidated 1 January 2023 and recorded as investment in associate

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 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.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 38. Interest 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:

	Principal place of business/ Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 2023 %	Ownership interest 2022 %	Ownership interest 2023 %	Ownership interest 2022 %
Clyde Park Coal Pty Ltd	Australia	Exploration	64.40%	64.40%	35.60%	35.60%
Guildford Coal (Mongolia) Pty Ltd	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%
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	Company Holding	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%
Manyeka Coal Mine (Pty) Ltd	South Africa	Exploration	49.00%	49.00%	51.00%	51.00%

# Deconsolidated 1 January 2023 and recorded as investment in associate, therefore amounts reflected relates to 1 July 2022 to date of deconsolidation.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 38. Interest in subsidiaries (continued)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Universal Coal Development I (Pty) Ltd \$'000	Clyde Park Coal (Pty) Ltd \$'000
<b>30 June 2023</b>		
<b>Summarised statement of financial position</b>		
Current liabilities	(4,018)	2
Non-current liabilities	(6,223)	(9,818)
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	(7,596)	-
Profit/(Loss)	(1,344)	(8)
<b>30 June 2022</b>		
<b>Summarised statement of financial position</b>		
Current liabilities	(5,250)	-
Non-current liabilities	(4,558)	(576)
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	(56)	-
Profit/(Loss)	(2,581)	(6,088)

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## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 39. Investment in associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

#### Investments accounted for using the equity method

	Consolidated	
	2023	2022
	\$ '000	\$ '000
<i>Non-current assets</i>		
Investment in Associates	79,934	92,781

#### Reconciliation

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

Carrying amount at beginning of financial year	92,781	62,019
Share of profit/(loss)	43,044	26,241
Effect of foreign exchange	(9,961)	-
(Impairment)/reversal of impairment	-	12,874
Dividends paid	(45,930)	(8,353)
Closing carrying amount	<b>79,934</b>	<b>92,781</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 39. Investment in associates (continued)

#### Summarised statement of financial position as at 30 June 2023 \*

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu ^	UCD8	Total
	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Current assets</b>							
Cash and cash equivalents	3,796	-	-	9,383	774	8	13,961
Other current assets	26,100	7	-	40,986	14,639	-	81,732
<b>Total current assets</b>	<b>29,896</b>	<b>7</b>	<b>-</b>	<b>50,369</b>	<b>15,413</b>	<b>8</b>	<b>95,693</b>
<b>Non-current assets</b>	<b>79,930</b>	<b>4,146</b>	<b>790</b>	<b>64,447</b>	<b>7,812</b>	<b>96</b>	<b>157,221</b>
<b>Current liabilities</b>							
Financial liabilities (excluding trade payables)	647	-	-	2,130	-	-	2,777
Other current liabilities	24,537	53	64	15,430	14,301	1	54,386
<b>Total current liabilities</b>	<b>25,184</b>	<b>53</b>	<b>64</b>	<b>17,560</b>	<b>14,301</b>	<b>1</b>	<b>57,163</b>
<b>Non-current liabilities</b>							
Financial liabilities (excluding trade payables)	809	-	-	2,661	-	-	3,470
Other non-current liabilities	53,649	-	-	42,214	38,710	-	134,573
<b>Total non-current liabilities</b>	<b>54,458</b>	<b>-</b>	<b>-</b>	<b>44,875</b>	<b>38,710</b>	<b>-</b>	<b>138,043</b>
<b>Net assets</b>	<b>30,184</b>	<b>4,100</b>	<b>726</b>	<b>52,381</b>	<b>(29,786)</b>	<b>103</b>	<b>57,708</b>
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$	14,790	2,049	363	25,667	-	50	42,919
Goodwill	2,448	2,763	614	31,190	-	-	37,015
Carrying amount	<b>17,238</b>	<b>4,812</b>	<b>977</b>	<b>56,857</b>	<b>-</b>	<b>50</b>	<b>79,934</b>

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

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



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 39. Investment in associates (continued)

Summarised statement of profit or loss and other comprehensive income as at 30 June 2023 \*

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu ^	UCD8	Total
	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revenue	242,612	-	-	242,983	34,470	-	520,065
<b>Profit after income tax expense</b>	<b>38,064</b>	<b>(32)</b>	<b>(4)</b>	<b>49,817</b>	<b>(2,821)</b>	<b>-</b>	<b>85,024</b>
Statutory and underlying result for the year	38,064	(32)	(4)	49,817	(2,821)	-	85,024
Other comprehensive income	-	-	-	-	-	-	-
<b>Statutory total comprehensive income</b>	<b>38,064</b>	<b>(32)</b>	<b>(4)</b>	<b>49,817</b>	<b>(2,821)</b>	<b>-</b>	<b>85,024</b>
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$	18,651	(16)	(2)	24,411	-	-	43,044

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

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



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 39. Investment in associates (continued)

Summarised statement of financial position as at 30 June 2022 \*

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu	UCD8	Total
	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Current assets</b>							
Cash and cash equivalents	6,148	-	-	25,825	743	-	32,716
Other current assets	43,730	3	-	37,329	24,927	-	105,989
<b>Total current assets</b>	<b>49,878</b>	<b>3</b>	<b>-</b>	<b>63,154</b>	<b>25,670</b>	<b>-</b>	<b>138,705</b>
<b>Non-current assets</b>	<b>98,045</b>	<b>4,644</b>	<b>821</b>	<b>55,265</b>	<b>37,914</b>	<b>-</b>	<b>196,689</b>
<b>Current liabilities</b>							
Financial liabilities (excluding trade payables)	-	-	-	-	-	-	-
Other current liabilities	22,574	24	9	12,656	21,466	-	56,729
<b>Total current liabilities</b>	<b>22,574</b>	<b>24</b>	<b>9</b>	<b>12,656</b>	<b>21,466</b>	<b>-</b>	<b>56,729</b>
<b>Non-current liabilities</b>							
Financial liabilities (excluding trade payables)	2,850	-	-	27,382	6,234	-	36,466
Other non-current liabilities	61,393	-	-	31,225	38,044	-	130,662
<b>Total non-current liabilities</b>	<b>64,243</b>	<b>-</b>	<b>-</b>	<b>58,607</b>	<b>44,278</b>	<b>-</b>	<b>167,128</b>
<b>Net assets</b>	<b>61,106</b>	<b>4,623</b>	<b>812</b>	<b>47,156</b>	<b>(2,160)</b>	<b>-</b>	<b>111,537</b>
<b>Reconciliation to carrying amounts:</b>							
<b>Net assets</b>	<b>61,106</b>	<b>4,623</b>	<b>812</b>	<b>47,156</b>	<b>(2,160)</b>	<b>-</b>	<b>111,537</b>
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$	29,942	2,311	406	23,107	-	-	55,766
Goodwill	2,448	2,763	614	31,190	-	-	37,015
Carrying amount	<b>32,390</b>	<b>5,074</b>	<b>1,020</b>	<b>54,297</b>	<b>-</b>	<b>-</b>	<b>92,781</b>

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



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 39. Investment in associates (continued)

#### Summarised statement of profit or loss and other comprehensive income as at 30 June 2022 \*

	NBC	Berenice	Cygnus	Eloff & NCC	Ubuntu	UCD8	Total
	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022	30 June 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revenue	204,237	-	-	256,390	55,689	-	516,316
<b>Profit after income tax expense</b>	<b>32,269</b>	<b>(38)</b>	<b>(13)</b>	<b>47,293</b>	<b>(7,608)</b>	<b>-</b>	<b>71,903</b>
Statutory and underlying result for the year	32,269	(38)	(13)	47,293	(7,608)	-	71,903
Other comprehensive income	-	-	-	-	-	-	-
<b>Statutory total comprehensive income</b>	<b>32,269</b>	<b>(38)</b>	<b>(13)</b>	<b>47,293</b>	<b>(7,608)</b>	<b>-</b>	<b>71,903</b>
Group interest %	49%	50%	50%	49%	49%	49%	
Group interest \$ ^	15,812	(19)	(7)	23,165	(3,720)	-	35,231

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

^ The share of profit for the year ended 30 June 2022 noted above relates to the full year. The share of profit shown on the Statement of profit or loss and other comprehensive income for the year ended 30 June 2022 on page 38 relates to the period post deconsolidation only.

Given the loss of operating and management rights in North Block Complex (Pty) Ltd (**NBC**), TerraCom no longer has direct operational control as defined within AASB10 Consolidated Financial Statements (AASB 10). As such, NBC was deconsolidated from 31 October 2021, the date in which it was determined in accordance with AASB 10 that control ceased and recorded as an investment in associate at fair value.

As at 3 February 2022, the casting vote held by the Chairman of the Executive Committee (a position held by TerraCom) was revoked and it was therefore determined that control ceased over the following entities, in accordance with AASB 10. Given the above, on and from this date, and the following companies have been deconsolidated and recorded as an investment at fair value:

- Universal Coal Development II (Pty) Ltd (**Berenice**)
- Universal Coal Development III (Pty) Ltd (**Ubuntu**)
- Universal Coal Development IV (Pty) Ltd (**NCC**)
- Universal Coal Development V (Pty) Ltd (**Cygnus**)
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**)

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

Although the Group owns 50% of UCDII, the Company has determined that the Group no longer has control in accordance with AASB10 (refer to note 40 for further information), notwithstanding that within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCDII. The company has been deconsolidated and recorded as an investment in associates at fair value as at 3 February 2022.





## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 39. Investment in associates (continued)

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

The Group owns less than 50% of UCDIII. As outlined in elsewhere in this report, the Company has determined that the Group no longer controls the entity because UCEHSA has relinquished its operational and management rights to meet requirements of the Department of Mineral Resources and Energy (**DMRE**). Refer to note 40 for further information on the deconsolidation. As UCEHSA no longer has operational control over UCDIII, the Company has been deconsolidated and recorded as an investment in associate as at 3 February 2022.

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

The Group owns less than 50% of UCDIV. As outlined in elsewhere in this report, the Company has determined that the Group no longer controls the entity because UCEHSA has relinquished its operational and management rights to meet requirements of the Department of Mineral Resources and Energy (**DMRE**). Refer to note 40 for further information on the deconsolidation. As UCEHSA no longer has operational control over UCDIV, the Company has been deconsolidated and recorded as an investment in associate as at 3 February 2022.

##### 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, as UCEHSA no longer has operational control over UCDIV, Eloff (as a wholly owned subsidiary of UCDIV) has therefore been deconsolidated and recorded as an investment in associate as at 3 February 2022.

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

Although the Group owns 50% of UCDV, the Company has determined that the Group no longer has control in accordance with AASB10 (refer to note 40 for further information), notwithstanding that within the shareholder arrangement UCEHSA has an option to purchase a further 24% of shares in UCDV. The company has been deconsolidated and recorded as an investment in associate at fair value as at 3 February 2022.

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

The Company has determined that the Group no longer has control in accordance with AASB10. The company has been deconsolidated and recorded as an investment in associate at fair value as at 1 January 2023.

#### 40. Deconsolidation

The operating and management agreement for North Block Complex (Pty) Ltd (**NBC**) expired on 31 October 2021. From and after this date the direct operational management and control of NBC changed to the NBC board of directors, which is equally represented by shareholders as noted below:

- Ndalamo Resources (Pty) Ltd (51%) (**Ndalamo**) – 2 board representatives; and
- Universal Coal and Energy Holdings (Pty) Ltd (**UCEHSA**) (49%) – 2 board representatives (sole ultimate shareholder is TerraCom).

Given the loss of operating and management rights of NBC on 31 October 2021, as and from this date, the Group no longer has direct operational control as defined within *AASB10 Consolidated Financial Statements* (**AASB 10**). Given this, NBC has been deconsolidated by the Group and recorded as an investment in associate at fair value, at an interest of 49%, from 31 October 2021, the date in which it was determined in accordance with AASB 10 that control ceased.

Throughout the 2022 financial year, UCEHSA dealt with a number of matters with its Broad-based Black Economic Empowerment partner, Ndalamo, regarding the continued operation and management of its jointly held operations. As part of the process, UCEHSA agreed to changes to operational and management rights under existing agreements with Ndalamo in order to meet requirements with the Department of Mineral Resources and Energy (**DMRE**) in South Africa.



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 40. Deconsolidation (continued)

As a result of the collaborative discussions with the DRME, the Group relinquished unanimous control of a number of its South African entities. As a result of a change in voting rights brought about from these discussions, on and from 3 February 2022, TerraCom no longer had direct (unanimous) operational control, as defined within AASB10, of the following entities, a change to the previously held position whereby UCEHSA controlled all of these entities:

- Universal Coal Development III (Pty) Ltd (**Ubuntu**);
- Universal Coal Development IV (Pty) Ltd (New Clydesdale Colliery (**NCC**)); and
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) (indirect, Eloff is wholly owned by NCC).

As part of the assessment performed, it also became apparent that without further applications to the DMRE to amend the existing mining right lodgements for both Universal Coal Development II (Pty) Ltd (**Berenice**) and Universal Coal Development V (Pty) Ltd (**Cygnus**), UCEHSA would be unable to exercise its option to acquire further interest beyond its existing 50% interest. This change also resulted in a loss of control by UCEHSA of these entities, in accordance with AASB10.

Given the above, from 3 February 2022, the following named entities have been deconsolidated and recorded as an investment in associate at an interest equivalent to that noted.

- Universal Coal Development III (Pty) Ltd (**Ubuntu**) – 48.9%;
- Universal Coal Development IV (Pty) Ltd (New Clydesdale colliery (**NCC**)) – 49%;
- Eloff Agriculture and Mining Company (Pty) Ltd (**Eloff**) – 49% (indirect, Eloff is wholly owned by NCC);
- Universal Coal Development II (Pty) Ltd (**Berenice**) – 50%; and
- Universal Coal Development V (Pty) Ltd (**Cygnus**) – 50%.

The loss of control under AASB 10 does not change the economic or equity interest TerraCom has in any entity as noted above and, in all instances, both prior to and subsequent to the date of control being lost, TerraCom has remained entitled to the economic returns of the entities commensurate with its shareholding interest.

The financial results for the entities deconsolidated by the Group up to the respective dates of deconsolidation for 30 June 2023 was nil. Refer tables below relating to information pertaining to 30 June 2022.

#### 2022

Entity	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	
Date of deconsolidation	31 Oct 2021	3 Feb 2022	3 Feb 2022	3 Feb 2022	3 Feb 2022	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Profit and loss</b>						
Revenue	71,382	-	-	134,862	29,777	236,021
Cost of goods sold	(51,567)	-	-	(99,487)	(31,895)	(182,949)
<b>Gross profit</b>	<b>19,815</b>	-	-	<b>35,375</b>	<b>(2,118)</b>	<b>53,072</b>
Other operating and administrative expense	(6,703)	(73)	-	(4,100)	(1,200)	(12,076)
EBIT	13,112	(73)	-	31,275	(3,318)	40,996
Depreciation and amortisation expense	(173)	-	-	(2,922)	(3,856)	(6,951)
Net finance expenses	(1,631)	-	-	(2,412)	(1,411)	(5,454)
<b>Net profit before income tax expense</b>	<b>11,308</b>	<b>(73)</b>	-	<b>25,941</b>	<b>(8,585)</b>	<b>28,591</b>
Income tax expense	(3,171)	-	-	(7,122)	2,339	(7,954)
<b>Profit / (Loss) after income tax expense</b>	<b>8,137</b>	<b>(73)</b>	-	<b>18,819</b>	<b>(6,246)</b>	<b>20,637</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 40. Deconsolidation (continued)

The carrying value of the entities deconsolidated by the Group up until the date that control was lost has been indicated below:

2023

Entity	UCD8
Date of deconsolidation	1 Jan 2023 \$ '000
<b>Assets</b>	
Cash and cash equivalents	8
Trade and other receivables	104
<b>Total assets</b>	<b>112</b>
<b>Liabilities</b>	
Trade and other payables	2
<b>Total liabilities</b>	<b>2</b>
<b>Net assets</b>	<b>110</b>
<b>Equity</b>	
Net assets	110
	<b>110</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Notes to the Consolidated Financial Statements

#### 40. Deconsolidation (continued)

2022 – Entity	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	
	31 Oct	3 Feb	3 Feb	3 Feb	3 Feb	
Date of deconsolidation	2021	2022	2022	2022	2022	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Assets</b>						
Cash and cash equivalents	12,394	-	-	6,829	(627)	18,596
Trade and other receivables	21,574	-	-	37,465	20,528	79,567
Inventories	4,502	-	-	5,133	1,847	11,482
Property, plant and equipment	95,343	-	-	41,367	38,495	175,205
Exploration and evaluation	3,574	29,102	4,159	57,758	5,060	99,653
<b>Total assets</b>	<b>137,387</b>	<b>29,102</b>	<b>4,159</b>	<b>148,552</b>	<b>65,303</b>	<b>384,503</b>
<b>Liabilities</b>						
Trade and other payables	22,929	6	11	17,637	20,274	60,857
Provisions	36,719	-	-	44,080	11,928	92,727
Borrowings	3,515	-	-	33,107	8,437	45,059
Related party borrowings	-	-	-	-	19,089	19,089
Financial liabilities	-	-	-	198	-	198
Lease liabilities	-	-	-	-	90	90
Deferred consideration	-	-	-	-	736	736
Deferred tax	17,260	287	38	7,573	(1,570)	23,588
<b>Total liabilities</b>	<b>80,423</b>	<b>293</b>	<b>49</b>	<b>102,595</b>	<b>58,984</b>	<b>242,344</b>
<b>Net assets</b>	<b>56,964</b>	<b>28,809</b>	<b>4,110</b>	<b>45,957</b>	<b>6,319</b>	<b>142,159</b>
<b>Equity</b>						
Net assets	56,964	28,809	4,110	45,957	6,319	142,159
Non-controlling interest	(38,290)	(14,590)	(2,083)	(31,503)	(3,224)	(89,690)
	<b>18,674</b>	<b>14,219</b>	<b>2,027</b>	<b>14,454</b>	<b>3,095</b>	<b>52,469</b>

The cash flow results for the entities deconsolidated by the Group during the period to deconsolidation date for 30 June 2023 was nil. Refer to the table below for 30 June 2022.

2022 – Entity	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	
	31 Oct	3 Feb	3 Feb	3 Feb	3 Feb	
Date of deconsolidation	2021	2022	2022	2022	2022	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net cash used in operating activities	22,956	22	-	10,604	(106)	33,476
Net cash from investing activities	(1,250)	-	-	(892)	(164)	(2,306)
Net cash used in financing activities*	(8,484)	(22)	-	(2,425)	(1,456)	(12,387)
<b>Net increase in cash and cash equivalents</b>	<b>13,222</b>	<b>-</b>	<b>-</b>	<b>7,287</b>	<b>(1,726)</b>	<b>18,783</b>



# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 40. Deconsolidation (continued)

2023 – Entity	UCD8
Date of deconsolidation	1 Jan 2023 \$ '000

Deconsolidation of carrying value of net assets	(110)
Fair value of retained interest	110
Recycling of foreign translation reserve upon deconsolidation	-
<b>Gain / (loss) on deconsolidation</b>	<b>-</b>

2022 – Entity	NBC	Berenice	Cygnus	NCC & Eloff	Ubuntu	
Date of deconsolidation	31 Oct 2021 \$ '000	3 Feb 2022 \$ '000	3 Feb 2022 \$ '000	3 Feb 2022 \$ '000	3 Feb 2022 \$ '000	Total \$ '000

Deconsolidation of carrying value of net assets	(18,674)	(14,218)	(2,027)	(14,454)	(3,096)	(52,469)
Fair value of retained interest	29,476	5,074	1,020	45,481	-	81,051
Recycling of foreign translation reserve upon deconsolidation						2,108
<b>Gain / (loss) on deconsolidation</b>						<b>30,690</b>

### 41. Deed of cross guarantee

Pursuant to ASIC Corporations Instrument 2016/785 dated 28 September 2016, the wholly owned subsidiaries listed in Note 38 (and identified with the symbol #) are relieved from the Corporations Act 2001 (Cth) (the **Act**) requirements for the preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a deed of cross guarantee (the **Deed**). The effect of the Deed is that the Company guarantees to each creditor payment of any debt in full in the event of winding up of any of the subsidiaries under certain provisions of the Act. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The Company and each of the relevant subsidiaries entered into the Deed on 27 June 2023.

The following consolidated statement of comprehensive income and statement of financial position comprises the Company and its controlled entities which are party to the Deed (**Closed Group**) after eliminating all transactions between the parties to the Deed.





# TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Financial Statements

### 41. Deed of cross guarantee (continued)

	Closed Group
	2023
	\$ '000
<b>Statement of Comprehensive Income</b>	
<b>Profit/(loss) before tax</b>	<b>317,506</b>
Income tax (expense)/benefit	(96,813)
<b>Profit/(loss) after tax</b>	<b>220,693</b>
<i>Other comprehensive income items that may be reclassified subsequently to profit or loss</i>	
Other comprehensive income/(loss) for the period, net of tax	-
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>220,693</b>
<b>Statement of financial position</b>	
Cash and cash equivalents	14,941
Trade and other receivables	15,538
Inventories	15,295
<b>Total current assets</b>	<b>45,774</b>
Trade and other receivables	288,366
Investments	125,828
Property, plant and equipment	90,699
Restricted cash	66,918
Other non-current assets	16,559
<b>Total non-current assets</b>	<b>588,370</b>
<b>Total assets</b>	<b>634,144</b>
<b>Liabilities</b>	
Trade and other payables	34,371
Interest-bearing liabilities	15
Income tax payable	64,536
Provisions	4,078
Lease liabilities	997
<b>Total current liabilities</b>	<b>103,997</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	7,454
Provisions	59,589
<b>Total non-current liabilities</b>	<b>67,043</b>
<b>Total liabilities</b>	<b>171,040</b>
<b>Net assets</b>	<b>463,104</b>
Issued capital	373,963
Share-based payments reserve	828
Foreign currency translation reserve	-
Retained earnings	88,313
<b>Equity</b>	<b>463,104</b>



## TerraCom Limited

Consolidated Financial Statements for the year ended 30 June 2023

### Directors' Declaration

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001 (Cth), the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated 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 consolidated financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe the members of the extended closed group identified in note 38 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38.

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

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

#### On behalf of the directors

**Mark Lochtenberg**  
Non-Executive Chairman

**Danny McCarthy**  
Managing Director

Date: 31 August 2023  
Sydney

## 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 (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, and notes to the financial report, 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:

- (i) **Giving a true and fair view of the Group's financial position as at** 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) 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 *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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the **time of this auditor's report.**

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of rehabilitation provision

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to Note 22 of the financial report.</p> <p>The Group has recognised a provision for rehabilitation as at 30 June 2023.</p> <p>The provision for rehabilitation relates to:</p> <ul style="list-style-type: none"> <li>• Rehabilitation and rectification of current historical disturbance at Blair Athol;</li> <li>• Rehabilitation and rectification of remaining historical disturbance at Kangala; and</li> <li>• Rehabilitation and rectification of disturbance at Australian exploration sites.</li> </ul> <p>The provision for rehabilitation was a key audit matter due to judgement involved in estimating expected costs and timing to rehabilitate disturbed areas in future periods and the amount is material.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Assessing the reasonableness of the methodology and assumptions applied in the rehabilitation calculation, in particular the extent of disturbed areas as at 30 June 2023, verifying the rehabilitation works completed during the year and the expected timing of rehabilitation works;</li> <li>• Checking the mathematical accuracy of the provision calculation and agreeing the underlying inputs used within the rehabilitation calculation to external market data were available; and</li> <li>• Assessing the appropriateness of the disclosures included in the financial statements.</li> </ul>

## Classification and carrying value of investments accounted for using the equity method

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to Note 39 of the financial report.</p> <p>The Group holds investments in associates accounted for using the equity method.</p> <p>The classification of each as an associate and measurement thereof is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• the level of judgement management were required to make in assessing the classification of the investment;</li> <li>• the significance of the closing balance; and</li> <li>• the significance of the share of profits of associates.</li> </ul>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• <b>Evaluating management’s assessment of whether significant influence existed;</b></li> <li>• <b>Agreeing the Group’s share of associate</b> profits to the audited financial reports of the Associates and assessing the adequacy of the disclosures;</li> <li>• Reviewing the financial information of the associate including assessing whether the accounting policies of the associates were consistent with TerraCom Limited; and</li> <li>• Reviewing the adequacy of the disclosures of in the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the **Group's** annual report for the year ended 30 June 2023, but does not include the **financial report and the auditor's report thereon**.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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, 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.

## Other matter

The financial report of TerraCom Limited, for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 30 September 2022.

## 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 ability of the group to continue as a going concern, disclosing, as applicable, matters related 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

**This description forms part of our auditor's report.**





## Report on the Remuneration Report

### Opinion on the Remuneration Report

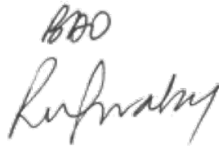
We have audited the Remuneration Report included in pages 23 to 36 of **the directors' report for the** year ended 30 June 2023.

In our opinion, the Remuneration Report of TerraCom Limited, for the year ended 30 June 2023, 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.

BDO Audit Pty Ltd



R M Swaby  
Director

Brisbane, 31 August 2023