EVOLUTION CAPITAL

# ASX: TER

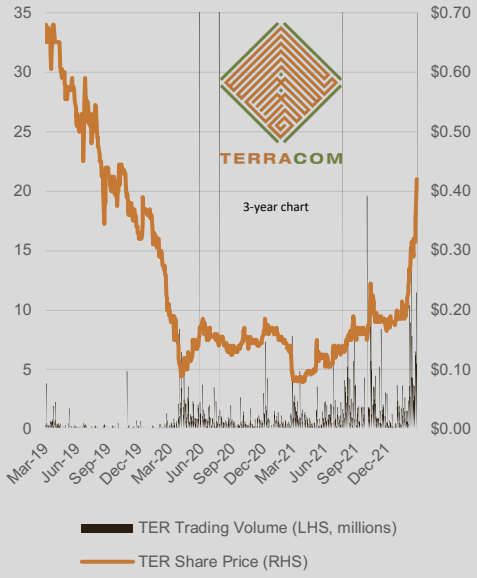
# TerraCom Limited

Equity Research

**7th March 2022**

| **BUY** | |
|---|---|
| Share Price | $0.42 |
| Valuation | $0.87 |
| Price Target | $1.30 |

| | |
|---|---|
| 52-Week Range | $0.077 - $0.425 |
| Shares Outstanding | 754.6m |
| Options & Warrants | 41m |
| Market Capitalisation | A$316.9m |
| Cash (31 Dec 2021) | A$12.4m |
| Debt (31 Mar 2022 estimated) | A$202.0m |
| Enterprise Value | A$506.5m |
| Board and Management | |
| Craig Ransley | Executive Chairman |
| Danny McCarthy | Managing Director |
| Matthew Hunter | Non-Executive Director |
| Glen Lewis | Non-Executive Director |
| Shane Kyriakou | Non-Executive Director |
| Graeme Campbell | Non-Executive Director |
| Mark Lochtenberg | Non-Executive Director |
| Craig Lyons | Independent NED |
| Megan Etcell | Chief Financial Officer |
| Nathan Bloom | Chief Commercial Officer |




TerraCom Limited (ASX: TER) is an emerging company originating as a resource explorer with a large portfolio of operating assets in Australia and South Africa. TerraCom is currently enacting a growth strategy towards delivering a mid-tier diversified operating and trading business and have a global focus on the development of a high yielding diversified asset portfolio for investors.

## Initiation of Coverage – The Growing Cash Cow

We initiate coverage on TerraCom Limited (ASX: TER) with a Buy rating and positive outlook for the future. TER emerges as a significant thermal coal company underpinned by strong production with operations focused in Australia and South Africa. On our calculations, as at 31 Dec 2021 the company has 62.1Mt of Proved and Probable Reserves, with 1.18Bt of Measured and Indicated Resources with a significant 2.12Bt of Inferred. Current production comes to an annualised run rate of 2.4Mtpa, 4.1Mtpa, 3.9Mtpa and 1.3Mtpa for its Blair Athol, New Clydesdale, North Block and Ubuntu operations respectively.

TER has pulled a significant turnaround story from its acquisition of the Blair Athol complex and its takeover of Universal Coal. The company has transformed from cash strapped and heavily in debt to effectively "printing money" and making significant inroads towards repaying its outstanding debt.

In addition to the excellent operational performance of TER and the management team, two key factors have acted in the company's favour: 1. Exceptional mining performance in its key assets and 2. Rising energy / thermal coal prices, which have translated into significant cashflow even with negative sentiment in the sector due to ESG concerns.

We have two key production scenarios under various pricing and cost assumptions being: 1. Production of its Proved and Probable Reserves (Base Case) and 2. Being production of its Proved + Probable Reserves + Measured Resources (Expansion Case). We include in both scenarios the upside value from its additional acreage.

Recently the company announced a US$60m coal sales prepayment facility to refinance the outstanding Euroclear bond, which is based on a 600,000 tonne coal sales offtake agreement with pricing based on and linked to the API4 index at time of delivery, and delivery to occur during the period 1 June 2022 to 31 May 2023. Currently this transaction is still subject to the usual Conditions Precedent ('CP's'). If the deal is successful we anticipate this adds ~3 cents per share (cps) to our valuation.

| Scenario / Item | Unit | Base Case Proved + Probable | Expansion Case Proved + Probable + Measured |
|---|---|---|---|
| **Total Production ROM** | **Mt** | **62.1** | **165.7** |
| **Total Sales** | **Mt** | **47.7** | **123.3** |
| Total Revenue | A$m | 4,884 | 11,617 |
| Total Opex | A$m | 3,109 | 7,459 |
| Total Royalty | A$m | 379 | 850 |
| Ongoing Capex | A$m | 204 | 349 |
| **Total Valuation** | **A$m** | **654** | **978** |
| **Total/share** | **A$** | **0.87** | **1.30** |

2021 was a watershed year for TER with a strong management team, capitalised balance sheet, enhancing and steadying production, reduced costs and renegotiated debt. 2022 represents the year that TER will reap the benefits of all of its hard work and be able to provide the market with extensive and consistent positive news flow which have already begun to be reflected in the share price, up over 50% since the beginning of 2022.

**Currently our risked Base Case valuation comes to $654m or A$0.87/share while for our Expansion Case the NPV amounts to A$978m or A$1.30/share. Our price target for TER comes to A$1.30/share, representing a 3.0x uplift to its recent close price. It is based on the Expansion Case, which is self-funded by the strong cash flow generated from the Base Case and onwards.**

# FINANCIAL SUMMARY

| TOTAL TER CASHFLOW | Quarterly | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exchange Rates** | | | | | | | | | | | | | | | | | | | | | | | |
| AUD/USD | x | 0.7175 | 0.7178 | 0.7182 | 0.7193 | 0.7201 | 0.7201 | 0.7196 | 0.7190 | 0.7185 | 0.7177 | 0.7164 | 0.7151 | 0.7138 | 0.7125 | 0.7112 | 0.7099 | 0.7086 | 0.7073 | 0.7060 | 0.7047 | 0.7047 | 0.7047 |
| ZAR/USD | x | 0.0659 | 0.0653 | 0.0648 | 0.0638 | 0.0632 | 0.0623 | 0.0616 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 | 0.0609 |
| **Prices** | | | | | | | | | | | | | | | | | | | | | | | |
| Australia | A$/t | 227.5 | 216.0 | 205.1 | 194.5 | 174.2 | 165.9 | 147.8 | 147.7 | 152.9 | 152.5 | 153.2 | 153.8 | 150.6 | 150.1 | 150.7 | 151.5 | 151.4 | 151.0 | 151.6 | 152.4 | 152.0 | 151.3 |
| South Africa Export | A$/t | 151.0 | 143.4 | 136.3 | 129.4 | 106.4 | 96.3 | 87.5 | 87.4 | 89.1 | 88.8 | 89.0 | 89.2 | 87.6 | 87.1 | 87.4 | 87.6 | 86.1 | 85.7 | 85.9 | 86.1 | 86.0 | 85.6 |
| South Africa Internal / Eskom | A$/t | 50.3 | 50.0 | 49.9 | 49.3 | 49.0 | 48.5 | 48.2 | 48.0 | 48.3 | 48.6 | 48.9 | 49.2 | 49.6 | 49.9 | 50.3 | 50.6 | 50.9 | 51.3 | 51.6 | 52.0 | 52.3 | 52.5 |
| **Unit Costs** | | | | | | | | | | | | | | | | | | | | | | | |
| Australia | A$/t | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| South Africa | A$/t | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| **Production** | | | | | | | | | | | | | | | | | | | | | | | |
| Blair Athol | 000 t | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 |
| New Clydesdale Colliery (NCC) | 000 t | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 | 1,034 |
| North Block Complex (NBC) | 000 t | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 | 971 |
| Ubuntu Colliery (NCC) | 000 t | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 | 334 |
| **TOTAL ROM Coal Production** | **000 t** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** | **2,941** |
| **Sales** | | | | | | | | | | | | | | | | | | | | | | | |
| Blair Athol | 000 t | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 | 521 |
| New Clydesdale Colliery (NCC) | 000 t | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 | 624 |
| North Block Complex (NBC) | 000 t | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 | 679 |
| Ubuntu Colliery (NCC) | 000 t | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 |
| **TOTAL Saleable Coal** | **000 t** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** | **2,106** |
| **Operating results** | | | | | | | | | | | | | | | | | | | | | | | |
| **Revenue** | **A$m** | **232** | **223** | **215** | **206** | **188** | **179** | **167** | **166** | **170** | **170** | **171** | **172** | **170** | **170** | **171** | **172** | **171** | **172** | **172** | **173** | **174** | **174** |
| Operating Costs (inc. Royalties) | A$m | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 |
| Royalties | A$m | 19 | 18 | 17 | 16 | 14 | 13 | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| General & Admin Costs & Other | A$m | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **EBITDA** | **A$m** | **100** | **92** | **83** | **75** | **56** | **48** | **35** | **35** | **38** | **38** | **39** | **40** | **38** | **38** | **39** | **40** | **40** | **40** | **41** | **42** | **42** | **42** |
| Capex | A$m | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Interest | A$m | 7 | 6 | 4 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | A$m | 25 | 22 | 20 | 18 | 13 | 11 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 10 |
| **Cash Flow Available for Debt Service** | **A$m** | **61** | **56** | **52** | **47** | **35** | **29** | **20** | **20** | **23** | **23** | **23** | **24** | **22** | **23** | **24** | **25** | **24** | **24** | **25** | **26** | **26** | **26** |
| Opening Cash Balance | A$m | 12 | 12 | 12 | 12 | 12 | 12 | 34 | 50 | 70 | 92 | 115 | 138 | 162 | 184 | 207 | 231 | 256 | 280 | 305 | 330 | 356 | 382 |
| Opening Debt Balance | A$m | 264 | 202 | 145 | 94 | 47 | 12 | 5 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments | A$m | 62 | 57 | 52 | 47 | 35 | 7 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Debt Balance | A$m | 202 | 145 | 94 | 47 | 12 | 5 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Cash Balance | A$m | 12 | 12 | 12 | 12 | 12 | 34 | 50 | 70 | 92 | 115 | 138 | 162 | 184 | 207 | 231 | 256 | 280 | 305 | 330 | 356 | 382 | 408 |

| TOTAL TER CASHFLOW | Yearly | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | FY2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exchange Rates** | | | | | | | | | | | | |
| AUD/USD | x | 0.718 | 0.718 | 0.718 | 0.719 | 0.719 | 0.720 | 0.705 | 0.705 | 0.705 | 0.705 | 0.705 |
| ZAR/USD | x | 0.066 | 0.065 | 0.065 | 0.064 | 0.064 | 0.063 | 0.061 | 0.061 | 0.061 | 0.061 | 0.061 |
| **Prices** | | | | | | | | | | | | |
| Australia | A$/t | 201 | 185 | 150 | 152 | 151 | 152 | 152 | 152 | 152 | 152 | 152 |
| South Africa Export | A$/t | 74 | 117 | 88 | 88 | 87 | 86 | 86 | 86 | 86 | 86 | 86 |
| South Africa Internal / Eskom | A$/t | 25 | 49 | 48 | 49 | 51 | 52 | 53 | 54 | 55 | 56 | 58 |
| **Unit Costs** | | | | | | | | | | | | |
| Australia | A$/t | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| South Africa | A$/t | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| **Production** | | | | | | | | | | | | |
| Blair Athol | 000 t | 2,495 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 | 2,408 |
| New Clydesdale Colliery (NCC) | 000 t | 4,244 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 | 4,136 |
| North Block Complex (NBC) | 000 t | 4,236 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 | 3,884 |
| Ubuntu Colliery (NCC) | 000 t | 1,495 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 | 1,336 |
| **TOTAL ROM Coal Production** | **000 t** | **12,470** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** | **11,764** |
| **Sales** | | | | | | | | | | | | |
| Blair Athol | 000 t | 2,107 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 | 2,084 |
| New Clydesdale Colliery (NCC) | 000 t | 2,582 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 | 2,494 |
| North Block Complex (NBC) | 000 t | 3,031 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 | 2,716 |
| Ubuntu Colliery (NCC) | 000 t | 1,086 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 | 1,130 |
| **TOTAL Saleable Coal** | **000 t** | **8,805** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** | **8,426** |
| **Operating results** | | | | | | | | | | | | |
| **Revenue** | **A$m** | **849** | **788** | **673** | **682** | **685** | **693** | **699** | **705** | **710** | **716** | **721** |
| Operating Costs (inc. Royalties) | A$m | 499 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 480 |
| Royalties | A$m | 65 | 59 | 46 | 46 | 46 | 47 | 47 | 48 | 48 | 48 | 49 |
| General & Admin Costs & Other | A$m | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 |
| **EBITDA** | **A$m** | **312** | **262** | **146** | **155** | **159** | **166** | **173** | **178** | **183** | **189** | **203** |
| Capex | A$m | 29 | 29 | 29 | 28 | 24 | 24 | 24 | 19 | 14 | 14 | 14 |
| Interest | A$m | 13 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | A$m | 75 | 62 | 32 | 35 | 37 | 39 | 41 | 43 | 46 | 48 | 52 |
| **Cash Flow Available for Debt Service** | **A$m** | **195** | **163** | **85** | **93** | **97** | **103** | **108** | **115** | **123** | **127** | **88** |
| Opening Cash Balance | A$m | 11 | 12 | 34 | 115 | 207 | 305 | 408 | 516 | 631 | 753 | 944 |
| Opening Debt Balance | A$m | 315 | 145 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments | A$m | 169 | 141 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Debt Balance | A$m | 145 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Cash Balance | A$m | 12 | 34 | 115 | 207 | 305 | 408 | 516 | 631 | 753 | 880 | 900 |

*Source: Evolution Capital estimates*

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**All currencies are in Australian dollars unless otherwise specified.**

# 1. TER Valuation

### TER Valuation

Table 1.1 below shows our risked sum-of-the-parts valuation of TER. This underpins our Base Case of A$0.87/share and Expansion Case of A$1.30/share respectively, representing a 3.0x uplift to the current share price.

The valuation consists of:

1. Production of Reserves and Resources encompassing Blair Athol, New Clydesdale Colliery, North Block Complex and Ubuntu Colliery;
2. Measured development case encompassing all producing assets;
3. Risked NPV's of all other TER Coal assets; and
4. Net cash position, corporate and overhead costs.

**Table 1.1 – TER Valuation Summary**

| Scenario / Item | Unit | Base Case | Expansion Case |
|---|---|---|---|
| | | Proved + Probable | Proved + Probable + Measured |
| **Operations** | | | |
| ROM Coal Production AUS | Mt | 22.6 | 48.5 |
| ROM Coal Production SA | Mt | 39.5 | 117.1 |
| **Total ROM** | **Mt** | **62.1** | **165.7** |
| Total Coal Sales AUS | Mt | 20.3 | 42.7 |
| Total Coal Sales SA | Mt | 27.4 | 80.5 |
| **Total Sales** | **Mt** | **47.7** | **123.3** |
| **Run Rate (ROM)** | | | |
| Blair Athol | Mtpa | 2.4 | 2.4 |
| New Clydesdale Colliery | Mtpa | 4.1 | 4.1 |
| North Block Complex | Mtpa | 3.9 | 3.9 |
| Ubuntu Colliery | Mtpa | 1.3 | 1.3 |
| **Commodity Prices*** | | | |
| AUS Coal to market | p/t | 158.2 | 158.2 |
| SA coal to market (Internal) | p/t | 52.4 | 52.4 |
| SA coal to market (External) | p/t | 92.6 | 92.6 |
| USD / AUD Exchange rate | | 0.71 | 0.71 |
| USD / ZAR Exchange rate | | 0.06 | 0.06 |
| **Revenue, Opex, Royalty & Capex** | | | |
| Total Revenue | A$m | 4,884 | 11,617 |
| Total Opex | A$m | 3,109 | 7,459 |
| Total Royalty | A$m | 379 | 850 |
| Ongoing Capex | A$m | 204 | 349 |
| **NPV's** | | | |
| Blair Athol NPV | A$m | 602 | 794 |
| South Africa NPV (see note) | A$m | 154 | 370 |
| Springsure (AUS)** | A$m | 22 | 22 |
| Hughenden (AUS)** | A$m | 161 | 161 |
| Clyde Park (AUS)** | A$m | 102 | 102 |
| Kangala (SA)** | A$m | 8 | 8 |
| NCC (SA)** | A$m | 6 | 6 |
| NBC (SA)** | A$m | 4 | 4 |
| Ubuntu & Berenice (SA)** | A$m | 5 | 5 |
| **TOTAL** | **A$m** | **1,064** | **1,472** |
| Corporate and Overhead | A$m | (220) | (303) |
| Cash (at 31 Dec 2021) | A$m | 12 | 12 |
| Debt (at 31 Mar 2022)*** | A$m | (202) | (202) |
| **Total NPV** | **A$m** | **654** | **978** |
| **Total per share** | **A$/share** | **0.87** | **1.30** |

*Source: Evolution Capital estimates.*
*Note: South African asset NPVs are 49% of the total value of South Africa business*
* *5 Year Average*
** *Resource Upside*
*** *Estimate of position at end Mar 2022*

The total risked sum of the parts is $654m or A$0.87/share. However, we note there is substantial upside should more volumes be discovered and de-risked through development.

TER enjoys strong production from its substantial assets and also has a large landholding both in South Africa and Australia which is highly prospective and benefits from supportive governments, state purchasers and established infrastructure. Further the thermal coal industry is currently enjoy strong product pricing.

We view that the Australian market is factoring a discount to TER due to the current political climate towards thermal coal. This represents a significant opportunity for buyers to get into a company with substantial production and a currently low valuation. We view that, as TER continues to perform well, this discount will dissipate.

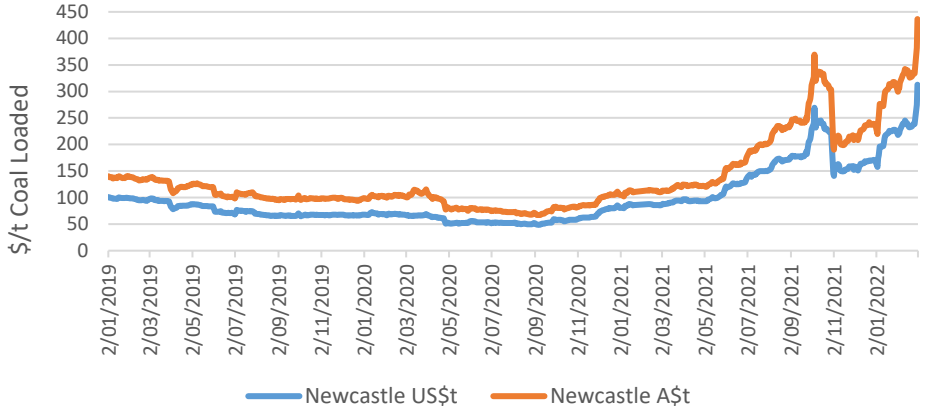
We have modeled the development cases highlighted above based on the scenarios discussed further in this note.

### Commodity Outlook

Figure 1.1 highlights the Newcastle coal index, which forms the benchmark for TER sales from Blair Athol. The Price has generally remained within the A$65-150/tonne range since 2019. It is only fairly recently, Mid 2021, that the price has made significant gains, reaching a previous peak of A$370/tonne in October 2021 and now sitting above A$430/tonne.

Blair Athol thermal coal generally has a lower energy value than the Newcastle Index (~5,500kcal/kg v 6,000kcal/kg). Consequently we assume that TER receive 15% discount to the index.

**Figure 1.1 – Newcastle Thermal Coal Price $/t**

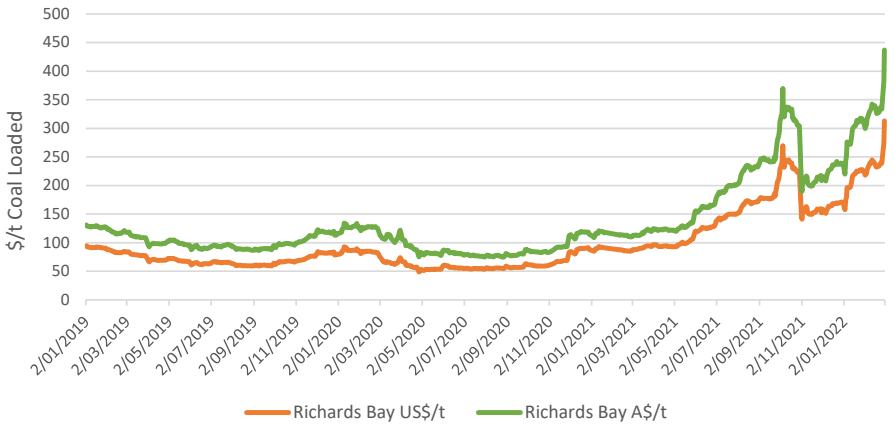



*Source: Bloomberg (2/03/2022)*

Figure 1.2 highlights the Richards Bay coal index, which forms the benchmark for TER's export sales from its South African operations. The price has generally remained within the A$75-150/tonne range since 2019. It is only fairly recently, mid 2021 that the price has made significant gains, reaching a previous peak of A$326/tonne in October 2021 and now sitting above A$430/tonne.

TER's operations in South Africa are focused on producing coal for domestic power consumption with contracts secured with Eskom, the South African public utility and largest producer of electricity in Africa. On our numbers export coal forms ~21%, of TER's African operations. Historically exports in South Africa were reduced due to Transnet (South Africa government owned rail provider) not providing the railing capacity required to producers. If this was to normalise TER would have the ability to increase export volumes.

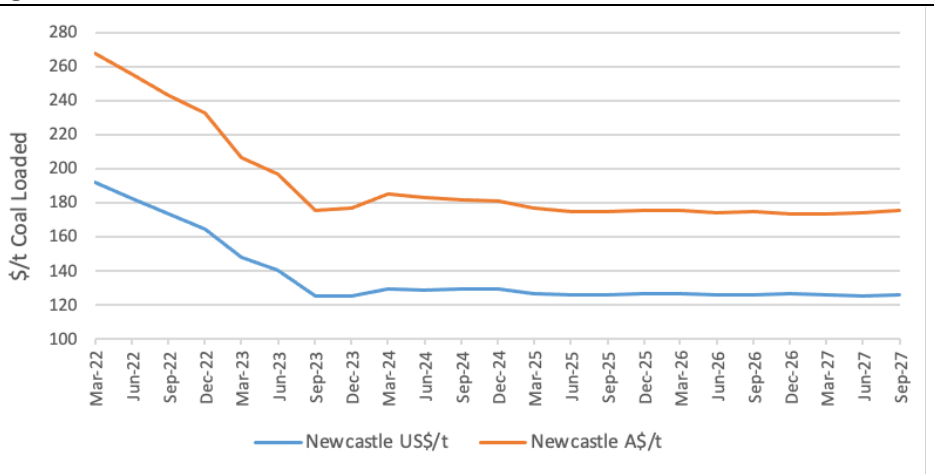
**Figure 1.2 – Richards Bay Thermal Coal Price $/t**




*Source: Bloomberg (2/03/2022)*

As highlighted in Figure 1.3, the performance and outlook for Newcastle Futures is positive with futures price forecast remaining above A$170/tonne. We note that the general consensus is that the coal price will remain higher than the long term futures price.

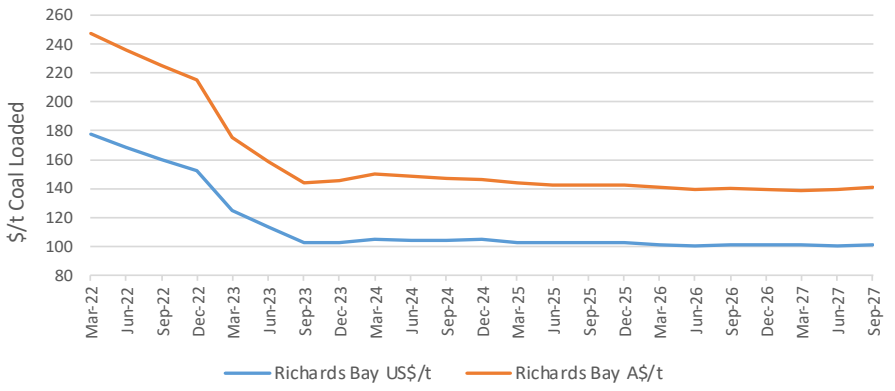
**Figure 1.3 – Newcastle Futures Thermal Coal Price $/t**




*Source: Bloomberg March 2022. Note 2022 prices have been amended using the current quarter to date average for Mar-22, then a decrease of 5% per quarter for the following three quarters.*

As highlighted in Figure 1.4, the performance and outlook for Richards Bay Futures is positive with futures price forecast remaining slightly below A$140/tonne. We note that the general consensus is that the coal price will remain higher than the long term futures price.

**Figure 1.4 – Richards Bay Futures Thermal Coal Price $/t**



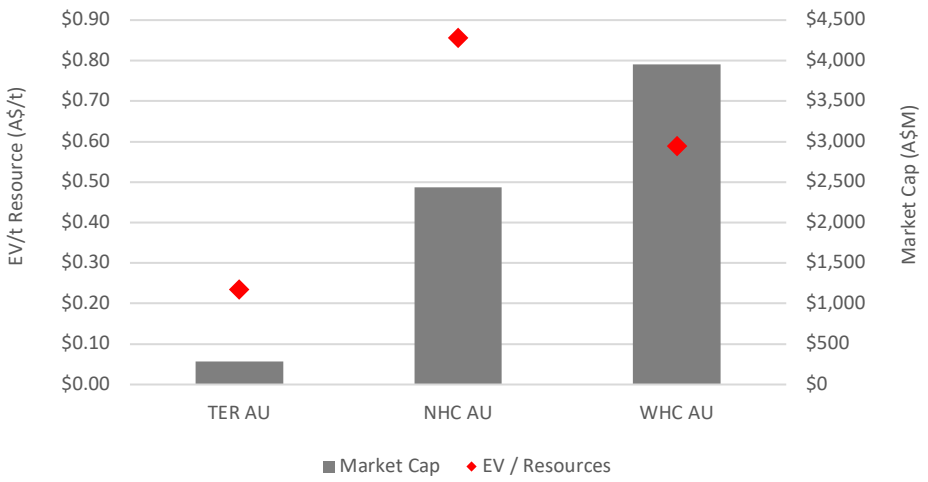

*Source: Bloomberg March 2022. Note 2022 prices have been amended using the current quarter to date average for Mar-22, then a decrease of 5% per quarter for the following three quarters.*

Our analysis incorporates a flat 15% discount on the selected export coal price. Note, that as this discount changes so will revenue and value received by TER.

### TER Valuation Compared to Market Peers

TER offers compelling valuation metrics compared with its ASX peers. Further adding to the attractiveness of the company is its product, being high quality thermal coal with long term sales contracts both internationally and internally in South Africa. Furthermore, as the resources volumes are further de-risked and converted to reserves the value of TER will adjust accordingly.

**Figure 1.5 – EV/Resources Peer Companies Comparison**



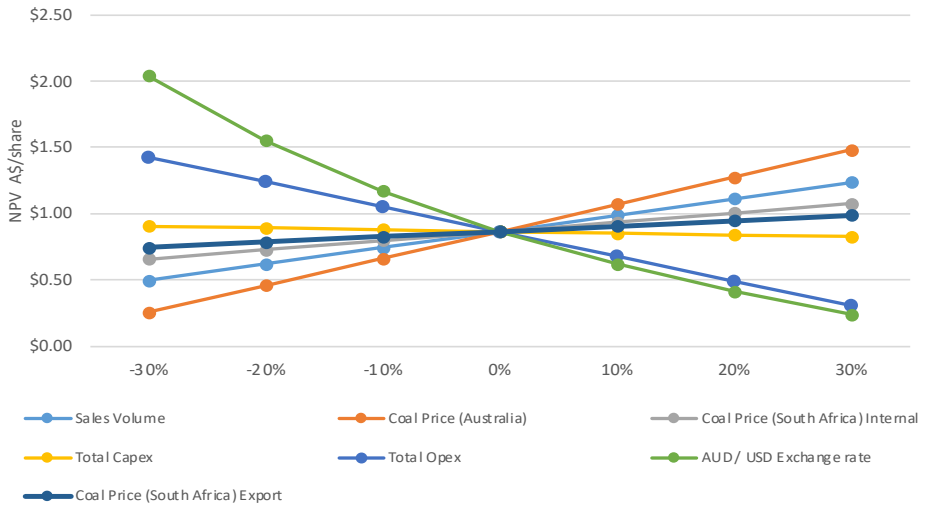

*Source: S&P Global, Company resource reports*

### Sensitivity Analysis on Reserves and Resources Case

Figure 1.6 highlights the sensitivity of the TER share price on the ROM base production case (62.15Mt) with higher/lower Australian & South African international & domestic coal prices, reduced and increased capex, opex & volumes produced and variances in AUD/USD and ZAR/USD exchange rates.

The base valuation comes in at $654m, or A$0.87/share. As shown Figure 1.6 TER's valuation is most sensitive to AUD/USD exchange rate, operating costs and the Australian export coal price received. Positively we see that capital expenditure variations have a minimal impact on the company's share valuation.

**Figure 1.6 – Reserves and Resources Case Sensitivity Analysis**




*Source: Evolution Capital estimates*

Table 1.2 highlights the change in NPV for movements on each variable.

**Table 1.2 – Reserves and Resources Case Sensitivity Analysis**

| Movement | -30% | -20% | -10% | **0%** | 10% | 20% | 30% |
|---|---|---|---|---|---|---|---|
| **Sales Volume** | | | | | | | |
| Mt | 33.4 | 38.1 | 42.9 | **47.7** | 52.4 | 57.2 | 62.0 |
| NPV A$m | 375.6 | 468.4 | 561.1 | **653.9** | 746.6 | 839.4 | 932.1 |
| NPV cps | 0.50 | 0.62 | 0.74 | **0.87** | 0.99 | 1.11 | 1.24 |
| **Coal Price (Australia)** | | | | | | | |
| A$/t | 110.7 | 126.5 | 142.4 | **158.2** | 174.0 | 189.8 | 205.6 |
| NPV A$m | 194.6 | 347.6 | 500.6 | **653.9** | 808.1 | 962.3 | 1116.5 |
| NPV cps | 0.26 | 0.46 | 0.66 | **0.87** | 1.07 | 1.28 | 1.48 |
| **Coal Price (South Africa) Internal** | | | | | | | |
| A$/t | 36.7 | 41.9 | 47.2 | **52.4** | 57.6 | 62.9 | 68.1 |
| NPV A$m | 497.0 | 549.3 | 601.6 | **653.9** | 706.2 | 758.4 | 810.7 |
| NPV cps | 0.66 | 0.73 | 0.80 | **0.87** | 0.94 | 1.01 | 1.07 |
| **Coal Price (South Africa) Export** | | | | | | | |
| A$/t | 64.8 | 74.1 | 83.3 | **92.6** | 101.8 | 111.1 | 120.4 |
| NPV A$m | 562.3 | 592.8 | 623.3 | **653.9** | 684.4 | 715.0 | 745.5 |
| NPV cps | 0.75 | 0.79 | 0.83 | **0.87** | 0.91 | 0.95 | 0.99 |
| **Total Capex** | | | | | | | |
| A$/m | 142.5 | 162.8 | 183.2 | **203.5** | 223.9 | 244.2 | 264.6 |
| NPV A$m | 682.1 | 672.7 | 663.3 | **653.9** | 644.5 | 635.1 | 625.7 |
| NPV cps | 0.90 | 0.89 | 0.88 | **0.87** | 0.85 | 0.84 | 0.83 |
| **Total Opex** | | | | | | | |
| A$/m | 2177 | 2487 | 2798 | **3109** | 3420 | 3731 | 4042 |
| NPV A$m | 1076.2 | 935.4 | 794.7 | **653.9** | 513.1 | 372.3 | 231.6 |
| NPV cps | 1.43 | 1.24 | 1.05 | **0.87** | 0.68 | 0.49 | 0.31 |
| **AUD / USD Exchange rate** | | | | | | | |
| AUD / USD | 0.50 | 0.57 | 0.64 | **0.71** | 0.78 | 0.85 | 0.92 |
| NPV A$m | 1538.8 | 1170.1 | 883.3 | **653.9** | 467.0 | 311.4 | 179.8 |
| NPV cps | 2.04 | 1.55 | 1.17 | **0.87** | 0.62 | 0.41 | 0.24 |
| **ZAR / USD Exchange rate** | | | | | | | |
| ZAR / USD | 0.043 | 0.049 | 0.055 | **0.061** | 0.068 | 0.074 | 0.080 |
| NPV A$m | 497.0 | 549.3 | 601.6 | **653.9** | 706.2 | 758.4 | 810.7 |
| NPV cps | 0.66 | 0.73 | 0.80 | **0.87** | 0.94 | 1.01 | 1.07 |

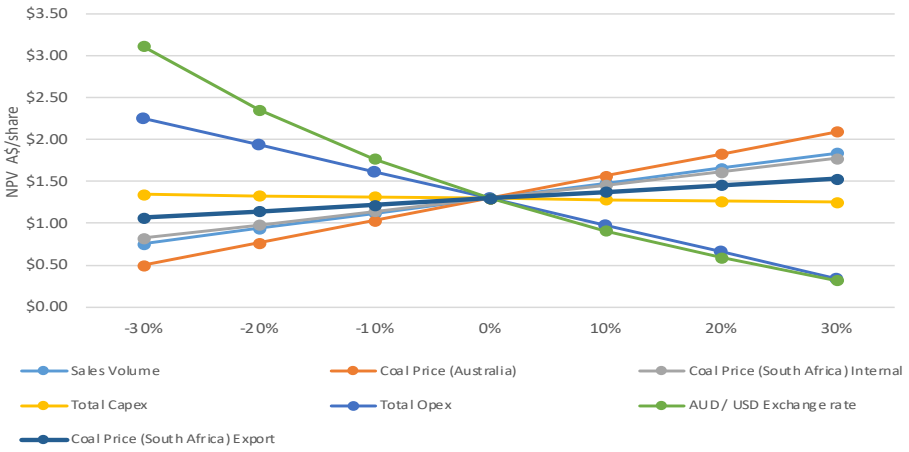
*Source: Evolution Capital estimates*

### Sensitivity Analysis on Reserves, Resources & Measured Case

Figure 1.7 highlights the sensitivity of the TER share price on the expansion production case (165.7Mt) with higher/lower Australian & South African international & domestic coal prices, reduced and increased capex, opex & volumes produced and variances in AUD/USD and ZAR/USD exchange rates.

The expansion valuation comes in at $978m, or A$1.30/share. As shown Figure 1.7 TER's valuation is most sensitive to AUD/USD exchange rate, operating costs and the Australian export coal price received. Positively we see that capital expenditure variations have a minimal impact on the company's share valuation.

**Figure 1.7 – Reserves, Resources & Measured Case Sensitivity Analysis**




*Source: Evolution Capital estimates.*

Table 1.3 highlights the change in NPV for movements on each variable.

**Table 1.3 – Reserves, Resources & Measured Case Sensitivity Analysis**

| Movement | -30% | -20% | -10% | **0%** | 10% | 20% | 30% |
|---|---|---|---|---|---|---|---|
| **Sales Volume** | | | | | | | |
| MT | 86.3 | 98.6 | 110.9 | **123.3** | 135.6 | 147.9 | 160.3 |
| NPV A$m | 569.5 | 705.7 | 842.0 | **978.2** | 1114.5 | 1250.8 | 1387.0 |
| NPV cps | 0.75 | 0.94 | 1.12 | **1.30** | 1.48 | 1.66 | 1.84 |
| **Coal Price (Australia)** | | | | | | | |
| A$/t | 110.7 | 126.5 | 142.4 | **158.2** | 174.0 | 189.8 | 205.6 |
| NPV A$m | 377.1 | 577.4 | 777.8 | **978.2** | 1178.5 | 1378.8 | 1579.1 |
| NPV cps | 0.50 | 0.77 | 1.03 | **1.30** | 1.56 | 1.83 | 2.09 |
| **Coal Price (South Africa) Internal** | | | | | | | |
| A$/t | 36.7 | 41.9 | 47.2 | **52.4** | 57.6 | 62.9 | 68.1 |
| NPV A$m | 621.2 | 740.2 | 859.2 | **978.2** | 1097.3 | 1216.3 | 1335.3 |
| NPV cps | 0.82 | 0.98 | 1.14 | **1.30** | 1.45 | 1.61 | 1.77 |
| **Coal Price (South Africa) Export** | | | | | | | |
| A$/t | 64.8 | 74.1 | 83.3 | **92.6** | 101.8 | 111.1 | 120.4 |
| NPV A$m | 802.7 | 861.2 | 919.7 | **978.2** | 1036.8 | 1095.3 | 1153.8 |
| NPV cps | 1.06 | 1.14 | 1.22 | **1.30** | 1.37 | 1.45 | 1.53 |
| **Total Capex** | | | | | | | |
| A$/m | 244.3 | 279.2 | 314.1 | **349.0** | 383.9 | 418.8 | 453.7 |
| NPV A$m | 1014.5 | 1002.4 | 990.3 | **978.2** | 966.2 | 954.1 | 942.0 |
| NPV cps | 1.34 | 1.33 | 1.31 | **1.30** | 1.28 | 1.26 | 1.25 |
| **Total Opex** | | | | | | | |
| A$/m | 5222 | 5968 | 6714 | **7459** | 8205 | 8951 | 9697 |
| NPV A$m | 1701.9 | 1460.7 | 1219.5 | **978.2** | 737.0 | 495.8 | 254.6 |
| NPV cps | 2.26 | 1.94 | 1.62 | **1.30** | 0.98 | 0.66 | 0.34 |
| **AUD / USD Exchange rate** | | | | | | | |
| AUD / USD | 0.50 | 0.57 | 0.64 | **0.71** | 0.78 | 0.85 | 0.92 |
| NPV A$m | 2346.8 | 1776.6 | 1333.0 | **978.2** | 687.8 | 445.8 | 241.1 |
| NPV cps | 3.11 | 2.35 | 1.77 | **1.30** | 0.91 | 0.59 | 0.32 |
| **ZAR / USD Exchange rate** | | | | | | | |
| ZAR / USD | 0.043 | 0.049 | 0.055 | **0.061** | 0.068 | 0.074 | 0.080 |
| NPV A$m | 621.2 | 740.2 | 859.2 | **978.2** | 1097.3 | 1216.3 | 1335.3 |
| NPV cps | 0.82 | 0.98 | 1.14 | **1.30** | 1.45 | 1.61 | 1.77 |

*Source: Evolution Capital estimates*

# 2. TerraCom Assets

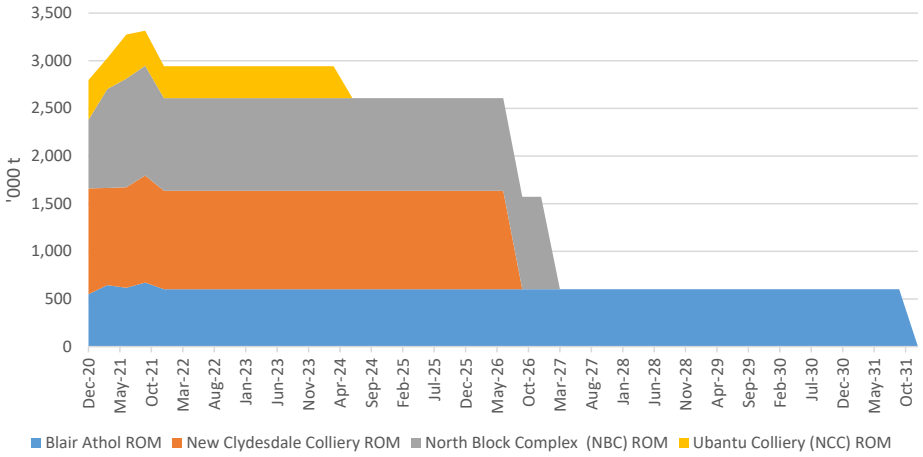
### TER Base Case

The TerraCom base case assumes that the company is successful in developing its Proved & Probable Reserves. The base case delivers production of:

| Scenario / Item | Unit | Base Case |
|---|---|---|
| **Operations** | | |
| Blair Athol ROM | '000 t | 22,616 |
| New Clydesdale Colliery ROM | '000 t | 17,928 |
| North Block Complex (NBC) ROM | '000 t | 18,707 |
| Ubuntu Colliery (NCC) ROM | '000 t | 2,896 |
| **Total production** | **'000 t** | **62,146** |

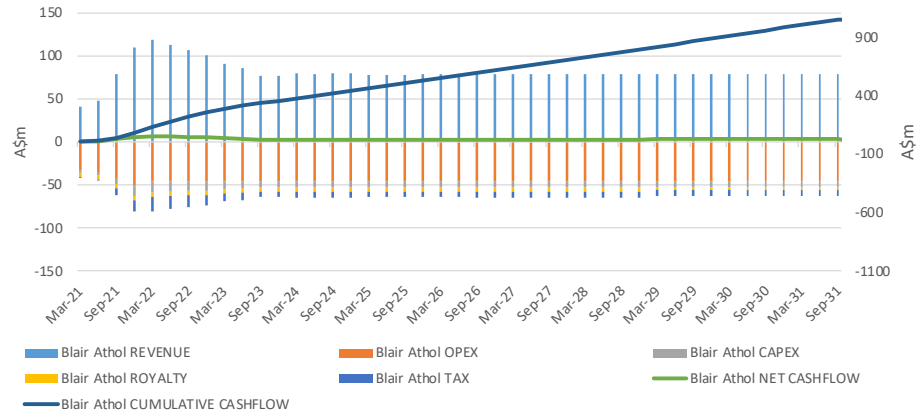
In the Base Case scenario, we assume that a total of $3.3b of opex and $204m of capex is spent over the production life of TER's assets. The assets produced in this scenario are Blair Athol, New Clydesdale Colliery, North Block Complex and Ubuntu Colliery.

## Figure 2.1 – TER Base Case Production



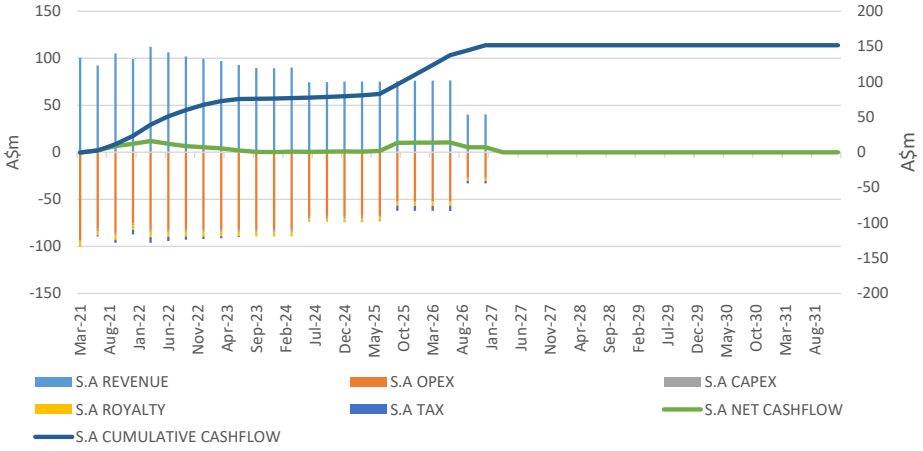

*Source: Evolution Capital estimates*

## Figure 2.2 – TER Blair Athol Base Case Cashflow




*Source: Evolution Capital estimates*

## Figure 2.3 – TER South Africa Base Case Cashflow




*Source: Evolution Capital estimates*

As shown in Figure 2.1, 2.2, 2.3 if TER continues at steady rate production it will produce the remainder of it South African assets by early 2027 year end with Blair Athol finishing by August 2031.

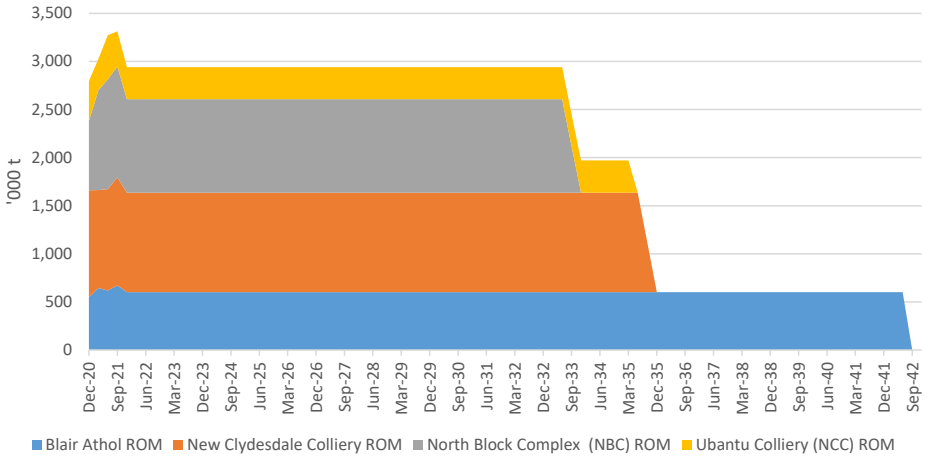
### TER Expansion Case

The TER expansion case assumes that the company is successful in developing its Proved, Probable & Measured Reserves and Resources. This expansion case delivers production of:

| Scenario / Item | Unit | Expansion Case |
|---|---|---|
| **Operations** | | |
| Blair Athol ROM | '000 t | 48,517 |
| New Clydesdale Colliery ROM | '000 t | 55,386 |
| North Block Complex ROM | '000 t | 44,377 |
| Ubuntu Colliery ROM | '000 t | 17,398 |
| **Total production** | **'000 t** | **165,679** |

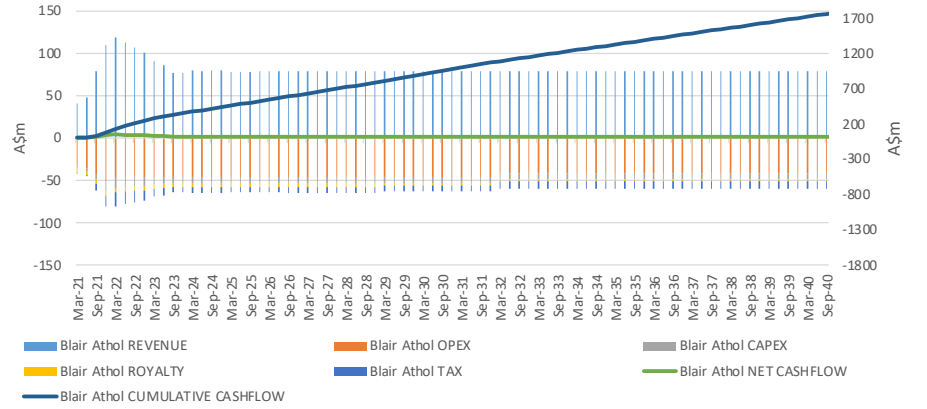
In the Expansion Case scenario, we assume that a total of $7.2b of opex and $349m of capex is spent over the production life of TER's assets. The assets produced in this scenario are Blair Athol, New Clydesdale Colliery, North Block Complex and Ubuntu Colliery.

**Figure 2.4 – TER Expansion Production Case**



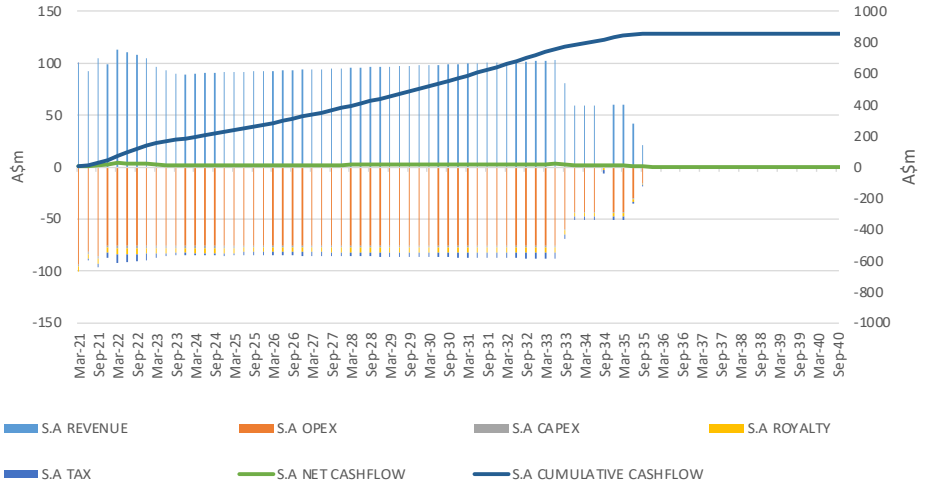

*Source: Evolution Capital estimates*

**Figure 2.5 – TER Blair Athol Expansion Case Cashflow**




*Source: Evolution Capital estimates*

**Figure 2.6 – TER South Africa Expansion Case Cashflow**




*Source: Evolution Capital estimates*

As shown in Figure 2.4, 2.5, 2.6 if TER continues at steady rate production it will produce the bulk remainder of the South African assets by Dec 2035 with Blair Athol finishing by mid 2042.

### Corporate Tax & Royalty Rates

TER is subject to two separate tax and royalty regime's. In South Africa the maximum royalty for coal is 7.5%, we assume 5%. In Australia the royalty rate for coal is calculated by reference to the average price per tonne of the coal sold, by a producer in relation to a particular mining operation, as follows:

- If the average price is $100 or less, the rate is 7% of the value of the coal.
- If the average price is more than $100 but not more than $150;
  - First $100 – 7% of value
  - Balance – 12.5% of value
- If the average price is more than $150
  - First $100 – 7% of value
  - Next $50 – 12.5% of value
  - Balance – 15% of value

Corporate tax rates for applied are 30% for Australia and 28% for South Africa.

### Reserves

**Table 2.1 - TER Reserves (JORC 2012)**

| | Proved (Mt) | Probable (Mt) | Total (Mt) |
|---|---|---|---|
| Recoverable Reserves | | | |
| Blair Athol | 8.7 | 16.1 | **24.8** |
| Marketable Reserves | | | |
| Blair Athol | 7.1 | 12.5 | **19.6** |

| | TerraCom Equity Interest | Recoverable Reserves (Mt) | Marketable Reserves (Mt) |
|---|---|---|---|
| New Clydesdale Colliery | 49% | 21 | **17.4** |
| North Block Complex | 49% | 21.8 | **14.5** |
| Ubuntu Colliery | 48.9% | 3.8 | **3.6** |
| **TOTAL** | | **71.3** | **55.1** |

*Source: TerraCom Ltd as at June 2021*

**Table 2.2 - TER Resources (TerraCom's Equity Interest)**

| | Measured (Mt) | Indicated (Mt) | Inferred (Mt) | Total (Mt) |
|---|---|---|---|---|
| JORC 2012 | | | | |
| Blair Athol | 25.8 | 11.3 | 2 | **39.1** |
| New Clydesdale Colliery | 37.5 | 16 | 3.2 | **56.6** |
| North Block Complex | 25.6 | 5.5 | 5.9 | **37.0** |
| Ubuntu Colliery | 14.7 | 19.3 | 2.3 | **36.2** |
| Kangala & Eloff | 39.1 | 140.9 | 145.6 | **325.6** |
| Berenice & Cygnus | 212.5 | 400.5 | 62.2 | **675.1** |
| | | | | |
| JORC 2004 | | | | |
| Springsure | | 43 | 148 | **191** |
| Hughenden | | 133 | 1,076 | **1209** |
| Clyde Park | | 51 | 677 | **728** |
| **TOTAL** | 355.2 | 820.5 | 2,122.2 | 3,297.9 |

*Source: TerraCom Ltd as at June 2021*

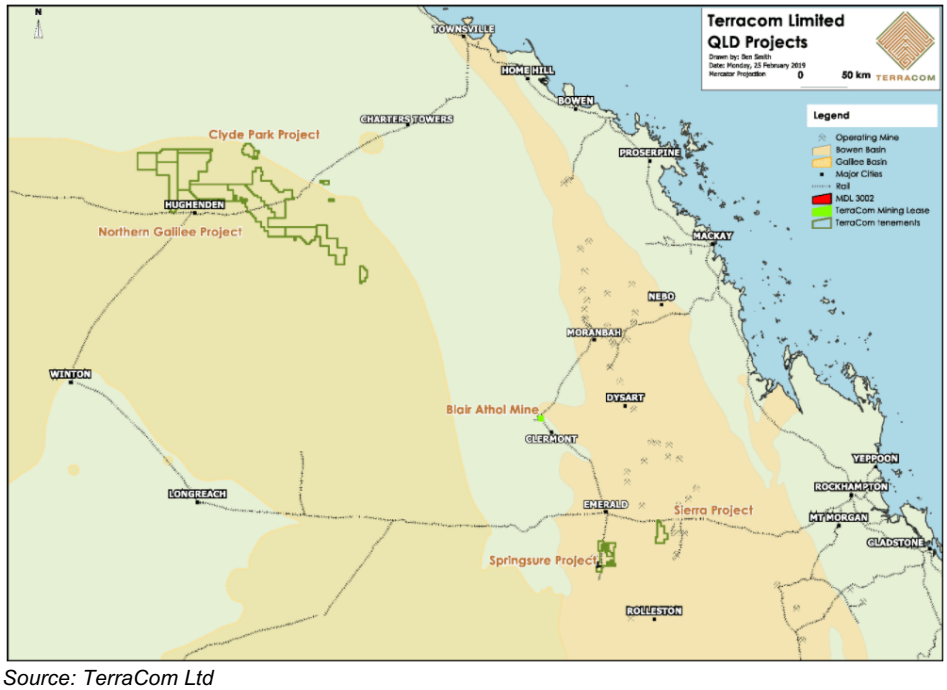
### Jurisdiction

The Blair Athol asset are located in Queensland, Australia with its New Clydesdale, North Block and Ubuntu assets located in South Africa. Positively South Africa has an established energy market with a supportive energy policy and has seen production for a significant period of time, Australia, whilst not the most supportive of thermal coal, has an established export market and infrastructure with strong market fundamentals.

### Assets - Australia

TerraCom has established a portfolio of coal exploration tenement areas in Queensland, Australia. TerraCom's tenements cover an estimated area in excess of 9,500 square kilometres.

**Figure 2.7 – TerraCom Ltd QLD Projects**




*Source: TerraCom Ltd*

**Blair Athol**

Location

In 2017 TerraCom Ltd acquired the Blair Athol Coal Mine, located in Clermont, Central Queensland. Since the acquisition TerraCom successfully restarted mining operations exporting up to 3Mtpa of high quality thermal coal and are undertaking the progressive rehabilitation of the site as part of its ongoing mining operations.

TerraCom Ltd is the owner of the mine, which is operated by a contract mining services provider.

TerraCom have completed several significant achievements at Blair Athol:

- Ramped up to in excess of 2.7 Mtpa production rate within 18 months of taking ownership
- Re-established BA strong coal brand in strong Japanese and Korean markets
- Upgraded the existing unused agricultural line which runs across the Blair Athol Mine Site and connects into the main Goonyella Rail Line, which then continues to Dalrymple Bay Coal Terminal
- Increased the JORC profile to 28.7Mt Reserve with 45Mt Resource of which 31.5Mt is Measured and 11.6Mt is Indicated

Coal Quality

Blair Athol coal has a strong brand history with over 250Mt of thermal coal sold into the Asian markets. The coal is mid energy, low ash, ultra-low sulphur and low trace elements which makes it attractive to Japanese and Korean Power Utilities.

Rehabilitation

Blair Athol has a long history of rehabilitation activities including research, investigations and monitoring, and trials to determine the best method of revegetation to suit the variety of changed landscapes created from the mining operation.

TerraCom achieved a commitment of 50 hectares rehabilitated in the first six months of operation and established an additional 10 hectares of treatment trials (2017).

The basic rehabilitation methodology used onsite begins with reshaping the landform (maximum slope of 15%), gypsum application, a topsoil layer, fertiliser, deep rip and seeding (native grasses, trees and shrubs) followed by a hay mulch layer. Review and management of slope lengths enabled the removal of contour banks as a required rehabilitation condition.

The 2018-2019 rehabilitation commitment of 40 hectares was not met due to a focus directed towards the capping of the decommissioned tailings storage facility (TSF). The access and recovery of Seam 3 coal from the Ramp 3 area enabled overburden to be excavated and trucked to the TSF bringing forward the remediation two years ahead of the original Life of Mine (LOM) schedule. The capping process has been dependant on the coal recovery schedule and extensions to modelled coal volume slowed movement of spoil. The TSF embankment wall has been capped and buttressed and majority of the beached area covered with up to 5 metres of spoil. Within the relocation of powerlines in the next quarter's schedule, reshaping of the 'Lookout Hill' will finalise the Ramp 2 and tailings dam rehabilitation.

During the capping of the TSF, bulk re-shaping of historical and active mining spoil had also been targeted. Over 30 hectares of dozer push has occurred in West Pit meeting the commitment to begin progressive rehabilitation within two years of the area being available. This included assessment and optimisation of spoil placement with excavator and truck fleet infilling dragline spoil reducing bulk push requirements.

**Springsure**

Project Overview

The Springsure project has an estimated 191.5Mt Coal Resource, with 148Mt Inferred Resources and 43Mt Indicated Resource. The Springsure project is TerraCom's priority project.

Location

The Springsure project consists of contiguous tenements; EPC 1674, EPC 1103 and MDL 3002 and is situation in the Central- Western Bowen Basin Coal Mining District of Queensland, covering approximately 1,178km$^2$.

The project is approximately 60km south of the township of Emerald and approximately 420km from the Port of Gladstone. Both the Springsure to Emerald rail link and the Gregory Highway traverse the South-Eastern edge of the tenement, linking it directly to the Port of Gladstone.

The project area is located within a hub of current exploration activity. It occurs on the strike of Minerva Coal Pty Ltd.'s Minerva South and Minerva No.1 coal mines located approximately 3km to the north of the Springsure Project. The Minerva Open-Cut mine is a multi-seam mine designed with a production capacity of 2.8Mtpa within the Reids Dome Beds coal measures.

Resource and Exploration

The Springsure project area is situated within the western margin of the Bowen Basin's Denison Trough which is recognised to host coal deposits of economic significance and is located between the Springsure Shelf to the west and Comet Ridge in the east. The Springsure Project area has been explored for shallow coal deposits within infills of Permian sedimentary rocks in graben or half-graben structures which historically host significant coal resources. The main target coal seams were the coal-bearing Reids Dome Beds of the Bowen Basin and the Aldebaran Formation which host coal seams equivalent to those found in Rio Tinto's Valeria deposit held 65km to the north which show coking coal properties. An Inferred Resource tonnage was derived from eleven of the eighteen boreholes drilled in the 2012 and 2013 drill programs. A confident level on interpretation of the behaviour of the coal seams gave a total estimated coal resource of 191.5Mt, with 148Mt Inferred Resources and 43Mt Indicated Resource.

Coal Quality

Five boreholes intersected the Reids Dome Beds showing a low ash, moderate volatile matter, moderately high calorific value export thermal coal similar to Minerva Coal Pty Ltd.'s mines and Xstrata's Rolleston open cut mine. A summary of the Coal Quality Results for three boreholes (GCSU010C, GCSU011 & GCSU012) are detailed in Figure 2.8.

**Figure 2.8 – TerraCom Ltd Reids Dome Coal Quality**

| Seam | Average Thickness (m) | Raw ASH (%) adb | RD | CNS | TM (%) adb | IM (%) | VM (%) adb | CV (Kcal/Kg) | TS (%) adb | FC (%) adb |
|---|---|---|---|---|---|---|---|---|---|---|
| RD1 | 1.47 | 14.54 | 1.42 | 1 | 5.67 | 3.98 | 31.69 | 6571 | 0.41 | 49.79 |
| RD2 | 4.5 | 9.37 | 1.37 | 1 | 4.54 | 3.55 | 32.21 | 7042 | 0.26 | 54.88 |
| RD2U | 3.29 | 8.05 | 1.36 | 1.5 | 5.39 | 3.75 | 32.02 | 7195 | 0.24 | 56.18 |
| RD2L | 1.5 | 31.52 | 1.56 | 1 | 5.14 | 4.03 | 25.18 | 5086 | 0.18 | 39.27 |
| RD3UU | 2.46 | 8 | 1.39 | 0 | 12.9 | 1.6 | 16.4 | 7603 | 0.28 | 74 |
| RD3UL | 1.04 | 12.29 | 1.41 | 1.5 | 5.32 | 3.29 | 26.83 | 6949 | 0.27 | 57.63 |
| RD3LL | 1.91 | 11.83 | 1.39 | 1 | 5.8 | 3.98 | 20.81 | 6934 | 0.57 | 63.41 |
| RD4 | 1.22 | 20.69 | 1.46 | 1 | 3.91 | 3.36 | 27.23 | 6156 | 0.29 | 48.72 |
| RD4UU | 0.5 | 9.59 | 1.35 | 2.5 | 6.33 | 3.61 | 34.36 | 7075 | 0.3 | 52.53 |
| RD4UL | 0.31 | 10.97 | 1.38 | 2 | 6.15 | 4.2 | 32.97 | 6860 | 0.26 | 51.86 |
| RD4L | 0.55 | 14.8 | 1.39 | 2 | 5 | 3.6 | 32.5 | 6621 | 0.3 | 49.1 |
| RD5 | 2.8 | 22.94 | 1.48 | 1 | 3.91 | 3.1 | 29.42 | 5903 | 0.25 | 44.54 |
| RD5UU | 0.67 | | 1.52 | | | | | | | |
| RD5UU | 1.34 | 24.46 | 1.52 | 1 | 4.79 | 3.13 | 23.51 | 5843 | 0.28 | 48.88 |
| RD5UL | 1.04 | | 1.52 | | | | | | | |
| RD5LU | 0.9 | 13.46 | 1.76 | 0 | 13.1 | 6.17 | 2.68 | 6344 | 0.15 | 77.69 |
| RD5L | 2.34 | 15.09 | 1.4 | 1 | 4.66 | 3.58 | 31.09 | 6605 | 0.28 | 50.23 |

*Source: TerraCom Ltd*

Infrastructure

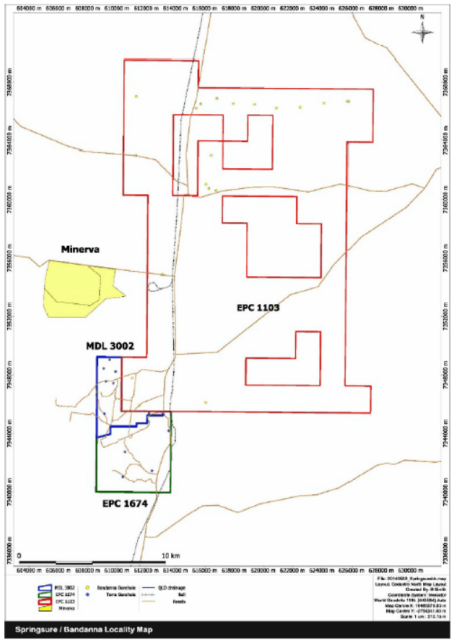
The Minerva rail spur line crosses the south east corner of EPC 1674. Figure 2.9 below outlines the Springsure Project adjacent to the Minerva Mine and rail spur line.

Feasibility and Development

The Springsure Project is an exciting development opportunity for TerraCom and Investors.

A conceptual mine design has been prepared for MDL 3002 as shown in Figure 2.9 below. Several development options exist to improve the project value and the next stage of exploration development and pre-feasibility studies will explore these options in greater detail.

**Figure 2.9 – Minerva Rail Spur Line & Conceptial mine design**




*Source: TerraCom Ltd*

**Clyde Park Coal**

Project Overview

The Clyde Park Coal project has an estimated 728Mt Coal Resource, with 677.45Mt Inferred Resources and 50.71Mt Indicated Resource.

TerraCom holds a 64.4% stake in Clyde Park Coal Pty Ltd with the remaining shares in the subsidiary mostly held by Tiaro Coal Limited (ASX: TCM).

Location

The Clyde Park Coal project consists of tenement EPC 1260 situated on the north eastern edge of the Galilee Basin in Queensland, covering approximately 133km$^2$.

The project is well located to utilise existing rail and port capacity in Townsville. The south eastern boundary of EPC1260 is approximately 15km from a potential rail siding at Pentland.

Resource and Exploration

A study of the Clyde Park project exploration results by independent mining consultants Moultrie Group has resulted in the definition of the first 50.71Mt of Indicated Coal Resources and an increased Inferred Coal Resource of 677.45Mt within the Galilee Basins Permian coal bearing seams of the Betts Creek beds.

TER has drilled a total of thirty six boreholes within EPC 1260. Twenty six boreholes were included in the latest resource model. Drill hole spacing varies across the project area and ranges from 300m to 3.4km point to point.

Eight coal seams and their seam splits have been intersected with coal quality analysis for three main seams showing a moderate ash (15% adb), calorific value (5,800 kcal/kg adb) and low sulphur (0.5% adb) an export thermal coal potential product.

The coal seams found within the project area appear to be consistent with those published by other Galilee Basin explorers such as Adani Mining (Carmichael Deposit), Hancock Coal (Alpha Deposit) and Blackwood Coal (South Pentland Deposit).

Coal Quality

Analysis of the coal quality results available suggests that some non-coal partings samples have been included resulting in a higher RD and Ash value.

Infrastructure

The Clyde Park Coal project is near the Mt Isa to Townsville rail line, with the southern boundary of the tenement located approximately 15 kilometres from a potential rail siding at Pentland.

Feasibility and Development

The stratigraphy of the coal reported in the Clyde Park Coal project resource correlates well with regional stratigraphy that has been previously published for the Galilee Basin, with the Betts Creek Beds Coal Sequence proving similar to that defined at the Adani – Carmichael Deposit and the Hancock – Alpha Deposit.

Further drilling will continue up dip towards the interpreted sub crop of the Betts Creek Beds Coal Seams to expand the potential open cut resources. With this style of mining in mind, resource calculations were cut-off at 300m depth from surface.

The target product quality for the Clyde Park Coal project is to be confirmed by further analysis, including a quality model of working sections and washability testing. Based on results to date, an export thermal coal with moderate ash is achievable.

**Northern Galilee Project**

Project Overview

The Northern Galilee project is a consolidation of the Hughenden and Pentland projects, comprising of tenements; EPC 1300, 1394, 1477, 1478, 1641, 1890, 1892, 1893, 1962, 1964 and 2049, covering approximately 2,160km$^2$.

EPC 1477 has an estimated Coal Resource of Inferred Resource of 1.076Bt and an Indicated Resource of 132.29Mt.

The Northern Galilee project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages, which are located in close proximity to the key supporting infrastructure; the Mt Isa to Townsville rail line.

Location

The Northern Galilee project is situated within the Galilee Basin and comprises several thermal coal and rail project proposals at various stages of development. The Galilee Basin is a 247,000km$^2$ thermal coal basin in the central region of the Australian state of Queensland. The Galilee Basin is located about 200km west of the Bowen Basin, extending north past Hughenden, south to Charleville and west beyond Winton and Middleton.

Resource and Exploration

In July 2012, exploration efforts within the Hughenden project (EPC 1477) resulted in Indicated Coal Resource of 132.9Mt and a revised Inferred Resource of 1,076Mt of thermal coal in the Permian Betts Creek Beds in the northern Galilee Basin at depths suitable for underground mining (depths 350 - 600m).

An interpreted 11.9m of net coal within the Permian aged Betts Creek Beds is made up of multiple seams up to 5.5m in thickness.

The stratigraphy of the coal reported in this resource correlates well with regional stratigraphy that has been previously published for the Galilee Basin, with the Betts Creek Beds Coal Sequence proving similar to that defined at the Adani – Carmichael Deposit and the Hancock – Alpha Deposit.

TerraCom has prepared a detailed drilling program for the Pentland permits (1890, 1892, 1893, 1692 and 1964) that will identify target zones for more detailed and structured exploration. Target areas have been delineated following comprehensive seismic review of the Carmichael Seismic Survey (CAR82).

An Exploration Target for the Pentland project has been prepared by MDM, of 0.30Bt to 2.89Bt, across coal seams within four formations contained in the Cretaceous to Jurassic Eromanga Basin (Ronlow Beds, Mackunda Formation, Birkhead Formation, Blantyre Sandstone) and two within the Triassic to Carboniferous Galilee Basin (Warang Sandstone and Betts Creek Beds).

Additional large tonnages of low rank lignite within the overlying Tertiary Glendower Formation, or Claraville Beds, may prove economic in the future, but considerable additional exploration is required to delineate more of these intersections.

Infrastructure

The Northern Galilee project is located in proximity to existing infrastructure with the MT Isa to Townsville rail line running across the project area.

Feasibility and Development

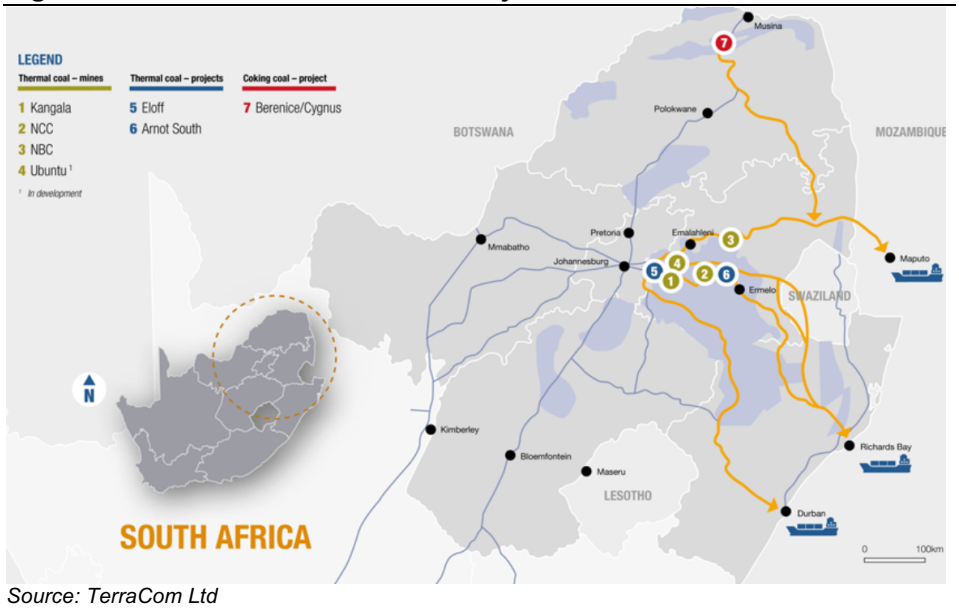
TerraCom has successfully delineated a substantial coal resource within the Northern Galilee project, suitable for underground mining methods. Further drilling to improve the confidence level around this resource will continue in parallel with other exploration work being undertaken in the region.

## South African Operations

TerraCom acquired 100% of Universal Coal Plc (Universal) as at 30 June 2020. Universal holds a portfolio of producing, development and exploration assets located across South Africa's major coalfields.

TER's three operating South African coal mines sell ~80% of its product to domestic power stations, the largest being Eskom. TER hope to commission the Eloff mine, an extension the depleted Kangala Mine once further contracts are secured with Eskom.

**Figure 2.10 – TerraCom Ltd African Projects**




*Source: TerraCom Ltd*

## Kangala Colliery

The greater project consists of two properties — Wolvenfontein (location of Kangala) and Middelbult located near several coal-fired power stations and benefits from excellent road, rail and power infrastructure.

| Kangala Colliery | |
|---|---|
| Location | Witbank Coalfield, Mpumalanga province |
| Coal resource[1] | 98.69Mt Resource (gross tonnes in-situ) inclusive of 28.3Mt Reserve |
| Ownership | 70.5% |
| Operation | Open pit, truck and shovel |
| Number of employees | 62 |
| Sales | 2Mtpa off-take agreement with Eskom, until 2023, export sales at spot market pricing |
| Current LOM | 1 year with the potential to exceed 20 years when including the Eloff Project and Middelbult extensions |

*[1]JORC compliant*
*Source: TerraCom Ltd*

An eight-year Coal Supply Agreement with the major South African power utility Eskom is valid until 2023. The operation is being run on an outsource model managed by an Universal Coal on-mine management team, with Stefanutti Stocks Mining Services supplying both the mining fleet and skill set to run Wolvenfontein pit, operating a fleet of 100t trucks, 85t and 120t excavators and supporting equipment. The dual circuit processing facility, a 350tph crushing and

screening circuit plus the 320tph DMS washing plant is owned by Universal with the operation thereof outsourced to Mineral Resource Development (Pty) Ltd.

The mine is currently on care and maintenance whilst TER await the CSA from Eskom for the Eloff extension.

Existing Eskom CSA expired earlier in Jan-2021 due to the total energy being delivered under the contract earlier than contract term expiry of 2023.

### New Clydesdale Colliery

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

| New Clydesdale Colliery | |
|---|---|
| Location | Witbank Coalfield, Mpumalanga province |
| Coal resource[1] | 136.67Mt Resource (gross tonnes in situ) inclusive of 54.8Mt Reserve |
| Ownership | 49% with operational control |
| Operation | Open pit, extended by underground workings |
| Number of employees | 60 |
| Sales | 1.6Mtpa off-take agreement with Eskom and global trader |
| Current LoM | 10+ Years |

*[1]JORC compliant*
*Source: TerraCom Ltd*

### North Block Complex

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

| North Block Complex | |
|---|---|
| Location | Outside the town of Belfast in Mpumalanga province |
| Coal resource[1] | 108.71Mt Resource (gross tonnes in situ) inclusive of 55.4Mt Reserve |
| Ownership | 49% with operational control |
| Operation | Open pit, truck and shovel |
| Number of employees | 90 |
| Current LoM | 15+ Years |

*[1]JORC compliant*
*Source: TerraCom Ltd*

### Ubuntu Colliery

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

| Ubuntu Colliery | |
|---|---|
| Location | Witbank Coalfield, Mpumalanga province |
| Coal resource[1] | 75.8Mt Resource (gross tonnes in situ) inclusive of 9.1Mt Reserve |
| Ownership | 49% |
| Number of employees | 60 |
| Sales | 1.2Mtpa off-take agreement with Eskom |
| Current LoM | 8 Years |

*[1]JORC compliant*
*Source: TerraCom Ltd*

Universal commenced development of Ubuntu Colliery following the acquisition of the surface rights during Q3 FY2019. Ubuntu has committed to a coal supply agreement with Eskom for the annual supply of 1.2Mt of domestic thermal coal.

### Eloff Project

Located adjacent to the Kangala pit, the Eloff Project provides the Group with strategic near-term flexibility and upside as it will enable the potential of low-cost expansion of the life of mine at Kangala, as well as the potential for additional standalone extensions within the broader project area.

| Eloff Project | |
|---|---|
| Location | Contiguous to Kangala in the Witbank Coalfield |
| Coal resource[1] | 528Mt Resource (gross tonnes in situ) |
| Ownership | 49% |
| Current LoM | 20 Years |

*[1]JORC compliant*
*Source: TerraCom Ltd*

### Arnot South

Arnot South comprises a prospecting right over 15,000ha located ~50km north-east of New Clydesdale Colliery. Note: 90% of the purchase price still needs to be paid by TER.

| Arnot South | |
|---|---|
| Location | Witbank Coalfield, Mpumalanga province |
| Coal resource[1] | 206.6Mt Resource (gross tonnes in situ) |
| Ownership | 50% |

*[1]JORC compliant*
*Source: TerraCom Ltd*

### Berenice/Cygnus Project

1.35Bt Resource Inclusive of 28.3Mt Reserve

The Berenice/Cygnus coking coal project is located in the Soutpansberg Coalfield 90km southwest of Musina, outside environmentally sensitive areas such as the Mapungubwe World Heritage Site and proposed environmental buffer zones the asset has both soft coking and thermal coal.

| Arnot South | |
|---|---|
| Location | Soutpansberg Coalfield, Limpopo province |
| Coal resource[1] | 28.3Mt reserve, 1.35Bt Resource (gross tonnes in-situ) |
| Ownership | 50% |
| Regulatory approvals | Mining Right application – accepted by DMR<br>Environmental Authorisation – accepted by the DMR<br>Integrated Water Use License – accepted by the DMR |

*[1]JORC compliant*
*Source: TerraCom Ltd*

## Financial Position

### Cash

TER has $12.4m in cash at the end of December 2021.

## Debt

TER has a significant debt position that it is actively managing. The key component of its debt position is the Listed Euroclear Bond. TER have made several statements that it expects to pay the bond, in its entirety, by the end of the 2022 calendar year. The table below highlights TER's debt position as at 30 June 2021 and our estimated position as at 31 March 2022. For the purposes of our evaluation we used the estimated 31 March 2022 Current Debt position.

| Borrowings (A$m) | 31 Dec 2021 Actual | 31 March 2022 Estimated |
|---|---|---|
| **Current** | | |
| Listed (Euroclear) bond | 186.0 | 132.0 |
| State Bank of India facilities | 5.9 | 4.4 |
| Convertible note facility | 27.6 | 27.6 |
| Overdraft | 0.3 | 0.3 |
| Prepayment facility | 0.0 | 0.0 |
| Standard Bank of South Africa facilities | 13.5 | 7.3 |
| **TOTAL** | **233.2** | **171.6** |
| | | |
| **Non-Current** | | |
| State Bank of India facilities | 3.3 | 3.3 |
| Standard Bank of South Africa facilities | 27.3 | 27.3 |
| **TOTAL** | **30.6** | **30.6** |
| | | |
| **TOTAL** | **263.8** | **202.2** |

*Source: TerraCom Ltd 2021 Annual Report and Evolution Capital estimates*

See below for a description of each debt instrument TER holds.

### Listed (Euroclear) Bond

On 30 November 2021, the Company executed long form documents which extended the maturity date of the existing Euroclear Bond to 31 December 2022 (previously maturity date was 30 June 2021). There were no changes to the commercial arrangements noting that the facility is denominated in United States Dollars (USD) and bears a cash interest rate of 12.5% per annum and 0.75% of Blair Athol revenues. With respect to repayment, principal and interest is to be repaid monthly via an agreed cash sweep arrangement which is linked to the Company's financial performance. During the 6-month period to 31 December 2021, the Company paid a total of US$44.1 million in interest (including special interest), fees and principal. After these payments, the total principal owing as at 31 December 2021 was US$134.9 million, which represents a reduction of US$32.2 million, equivalent to 19% of the facility balance as at 30 June 2021. The facilities are subject to debt covenants and obligations to make interest and principal payments on set dates. Should these terms not be met by the Company an event of default may eventuate.

As at 31 January 2022 the principal owing on the Euroclear Bond as at 31 January was US$121.3m.

On 28 February 2022 TER announced it had signed a binding term sheet for the prepayment of approximately 600,000 tonnes of Blair Athol coal for the period 1 June 2022 to 31 May 2023 with one of its major, long-standing customers for the total of US$60m.

The Prepayment Agreement is subject to customary conditions precedent being

- Prepayment amount of US$60 million
- Coal sales offtake agreement for 600,000 tonnes, with pricing based on and linked to the API4 Index at the time of delivery. Delivery is during the period 1 June 2022 to 31 May 2023

- Interest rate fixed at 8% per annum
- Prepayment repaid through the delivery of coal via the coal sales offtake agreement
- Subject to the satisfaction of customary conditions precedent for a transaction of this nature (these are expected to be completed by 31 March 2022)
- Drawdown date on or before 30 April 2022.

At at 4 March 2022 the Euroclear Bond principal balance owing was reduced to US$102 million

State Bank of India facilities

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

Facility 2 (Excavator) – This facility, entered into on 5 March 2021 for $4.27m, for a period of 36 months from commencement date and bears an interest rate of 1-month BBSY plus a margin of 6.00%. Monthly principal repayments of $0.12m for the first 35 months with a final repayment of $0.07m to be made in March 2024. With respect to both SBI facilities, the BBSY rate for June 2021 was 0.06% (30 June 2020: 0.1409%). Under the overall facility agreement (comprising Facility 1 and Facility 2), the company is required to maintain a $2m term deposit with SBI.

Convertible Note facility

On 24 December 2019 TerraCom completed a Convertible Bond Facility for US$20m with Madison Pacific Trust Limited being appointed as the Note Trustee, and the Initial Noteholders comprising OL Master (Singapore Fund 1) Pte Ltd (OCP Asia).

The facility was for 3 years, with a redemption date of 23 December 2022 unless converted to equity and bears an interest rate of 9.95% per annum. Interest is paid every 6 months in arrears commencing on 30 June 2020 with a final interest payment due on the redemption date. The convertible note included the option to convert the notes into TerraCom shares at a price of $0.696 per share.

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

Standard Bank of South Africa facilities

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

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

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

# 3. Directors & Management Team

Directors and management have substantial experience leaving the company in very capable hands.

**Craig Ransley, Executive Chairman**

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

Mr. Ransley is a qualified Fitter and Machinist (Trade Qualified) and has a broad entrepreneurial background.

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

**Danny McCarthy, Managing Director**

Mr McCarthy is a highly experienced mining executive having held senior roles with Mineral Resources, Thiess, Wesfarmers, and QCoal and has a proven record of accomplishment of delivering exceptional results over 22-years in the resources sector.

Prior to joining TerraCom in December 2018, for the past 2.5 years, Mr McCarthy has held the role of Chief Operating Officer for the highly regarded, West Australian based, commodity producer and mining services company Mineral Resources Limited (ASX: MIN, Market capitalisation of approximately $2.8B). During his time in this role, he has overseen the successful implementation of MIN's strategic growth initiatives.

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

**Matthew Hunter, Non-Executive Director**

Matthew has more than 20 years' experience in the finance industry, most recently with over 10 years' experience in private equity investment.

Matthew founded Rivendell Capital in early 2016 to provide capital and advisory services to small and medium sized enterprises and specialised projects. Prior to founding Rivendell Capital, Matthew was a Managing Director of The Carlyle Group. He also served on the Board as a Non-Executive Director of both Coates Hire and Healthscope, two of the largest private equity transactions undertaken in Australia.

Matthew is OCP Asia's nominee director. He is presently Non-Executive Director of Silver Heritage Group Limited, Chairman of Measure Australia, a Non-Executive Director of Medirent, Advisory Board Member of AtlasTrend and Consultant engaged by OCP Asia (TerraCom's largest shareholder and debt holder).

**Glen Lewis, Non-Executive Director**

Glen is a qualified Coal Mine Manager and has worked in the Coal Industry since 1980. Throughout his career he worked at all levels of Management inclusive of 10 years as an Undermanager at various operations including United Colliery and Dartbrook Coal where he was part of the Management Team for the construction of both projects. In 1997 he commenced as Mine Manager at Cumnock Coal and in 1999 was promoted to Operations Manager at Oceanic Coal (consisting of

West Wallsend and Teralba underground mines and Westside opencut operation) following its acquisition by Xstrata Coal.

Glen was promoted to the role of General Manager Eastern Underground Operations for Xstrata Coal NSW in 2003 and was then responsible for United Collieries, Cumnock Coal and Oceanic Coal. Continuing with Xstrata Coal NSW, he was promoted to General Manager Operations with overall responsibility for 6 operating mines and several projects under construction. Glen 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. Glen stepped down from the position of Managing Director in 2017, but remains a Non-Executive Director of NuCoal.

**Shane Kyriakou, Non-Executive Director**

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

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

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

**Craig Lyons, Independent Non-Executive Director**

Mr 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.

Craig 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.

Craig 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 28B Rand.

**Mr Graeme Campbell Non-Executive Director**

Graeme has over 40 years' experience in corporate advisory and recovery services and is a former Director of Ferrier Hodgson, Chartered Accountants, a leading independent financial advisory and restructuring provider. With a strong understanding of commercial and compliance drivers, Graeme has extensive experience across a number of independent Board positions where he brings strong leadership and governance. Graeme was awarded the Order of Australia Medal in 2018 for services to Harness Racing.

**Mr Mark Lochtenberg Non-Executive Director**

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 30 years. Mark 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.

**Megan Etcell, Chief Financial Officer**

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

Megan joined TerraCom in November 2019 as Company Secretary and she is now taking on a larger executive role looking after all regulatory, legal and governance, investor and stakeholder relations and administrative matters for the Group.

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

**Nathan Boom, Chief Commercial Officer**

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

His 17 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 has substantial experience in financial system implementation and integration.

Nathan joined TerraCom in 2015, was appointed Company Secretary in January 2016, Chief Financial Officer in March 2017, and in September 2020 transitioned to the newly created role of Chief Commercial Officer.

# 4. Investment Risks

TER is exposed to a number of risks including:

- **Material Business Risks:** The international scope of TerraCom's operations, the nature of the thermal coal industry and external economic factors mean that a range of factors may impact results. Material macro-economic risks that could impact the Company's results and performance include Coal commodity prices, exchange rates and global factors affecting capital markets and the availability of financing.
- **Technical Risk:** Thermal coal exploration and production is speculative by nature and therefore carries a degree of risk associated with the discovery of volumes in commercial quantities. Exploration activity may be adversely influenced by a number of different factors including, amongst other things, new subsurface geological and geophysical data, drilling results including the presence, prevalence and composition of underlying resource, force majeure circumstances, drilling cost overruns for unforeseen subsurface operating conditions or unplanned events or equipment difficulties, changes to resource estimates, lack of availability of mining equipment and other integral exploration equipment and services

- **Operational Risk:** Successful production operations are still subject to a range of risks and uncertainties. These risks and uncertainties in part relate to the estimated quantities of coal that may potentially be recovered. They also relate to the costs involved of asset development and subsequent production, which are subject to a range of qualifications, assumptions and limitations. They also relate to the timing of project development and subsequent production, which is subject to a range of factors many of which are not within TerraCom's control.
- **Government and Regulator Risk:** TerraCom's rights, obligations and commercial arrangements through all stages of the coal lifecycle (exploration, development, production) in permits are commonly defined in agreements entered into with the relevant country's Government as well as in the Country's petroleum, tax and emission related legislation and other laws. These agreements and laws are at risk of amendment by a Government which accordingly could materially impact on TerraCom's rights and commercial arrangements adversely. Furthermore, due to the evolving nature of exploration work programs (as new technical data becomes available) and due to the fluctuating availability of mining equipment and services, TerraCom's may seek to negotiate variations to permit agreements in particular in relation to the duration of the exploration phase in the permit and the work program commitments.
- **Environmental Risks:** Coal operations have inherent risks and liabilities associated with ensuring operations are carried out in a manner that is responsible to the environment. Although TerraCom operates within the prevailing environmental laws and regulations, such laws and regulations are continually changing and as such, TerraCom could be subject to changing obligations or unanticipated environmental incidents that, as a result, could impact costs, provisions and other facets of TerraCom's operations
- **Resource Risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity Price Risk:** the revenues TerraCom will derive mainly through the sale of Coal exposing the potential income to thermal coal price risk. The price of coals fluctuate and are affected by many factors beyond the control of TerraCom. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate Risk:** The revenue TerraCom derives from the sale of coal exposes the potential income to exchange rate risk. International prices of coal as well some of the costs base are denominated in United States dollars, whereas the financial reporting currency of TerraCom is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD and the ZAR as determined by international markets.
- **Management and Labour Risk**: an experienced and skilled management team is essential to the successful development and operation of coal projects.

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## Disclosure & Disclaimer

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