TerraCom Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	TerraCom Limited
ABN:	35 143 533 537
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

				$'000
Revenues from ordinary activities (1)	up	76.5%	to	147,141
Revenues from ordinary activities (2)	up	554.1%	to	147,141
Loss from ordinary activities after tax attributable to the owners of TerraCom Limited (1)	down	181.9%	to	(18,399)
Loss from ordinary activities after tax attributable to the owners of TerraCom Limited (2)	down	52.1%	to	(18,399)
Loss for the year attributable to the owners of TerraCom Limited	down	181.9%	to	(18,399)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $18,399,000 (30 June 2017: profit of $22,465,000).

Includes $60,872,000 gain on acquisition R I W K H % O D L U $ W K R O & R D O 0 L Q H in the previous period

Excludes $60,872,000 gain on acquisition R I W K H % O D L U $ W K R O & R D O 0 L Q H in the previous period

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	7.24	9.99

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Financial Report of TerraCom Limited for the year ended 30 June 2018 is attached.

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12. Signed

Signed ______________________ Date: 30 August 2018

Wallace Macarthur King
Non-Executive Chairman
Sydney

TerraCom Limited

ABN 35 143 533 537

Annual Financial Report - 30 June 2018

Directors	Mr Wallace (Wal) King AO The Hon. Craig Wallace Mr Michael Avery Mr Tsogt Togoo Mr Philip Forrest Mr James (Jim) Soorley Mr Matthew Hunter Mr Paul Anderson
Company secretary	Mr Nathan Boom
Registered office	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia
Principal place of business	Blair Athol Mine Access Road Clermont, Queensland, 4721 Australia
Contact address	PO Box 131 Clermont, Queensland, 4721 Australia
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, New South Wales, 2000 Australia Telephone: +61 1300 554 474 Facsimile: +612 9287 0303
Auditor	Ernst & Young 200 George Street Sydney, New South Wales, 2000 Australia
Solicitors	Ashurst Australia Level 26, 181 William Street Melbourne, Victoria, 3000 Australia
Bankers	Westpac Banking Corporation Suite 2, Level 2 22 Walker Street Townsville, Queensland, 4810 Australia
Stock exchange listing	TerraCom Limited shares are listed on the Australian Securities Exchange (ASX code: TER)
Website	terracomresources.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of TerraCom Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Recommissioning of the Blair Athol Thermal Coal Mine (BA) acquired on 31 May 2017, including ramping up production to 2Mtpa and the construction and commissioning of an onsite Train Loadout facility.
- Continuing the process of ramping up production of the BNU mine in Mongolia.
- Rehabilitation of the Blair Athol Coal Mine
- Mineral exploration activities in a number of mining tenements held across Australia and Mongolia.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Directors
The following persons were directors of TerraCom Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Wallace (Wal) King AO
The Hon. Craig Wallace
Mr Michael Avery
Mr Tsogt Togoo
Mr Philip Forrest
Mr James (Jim) Soorley
Mr Matthew Hunter (Appointed 18 January 2018)
Mr Paul Anderson (Appointed 16 May 2018)
Mr Cameron McRae (Resigned 21 November 2017)
Mr David Stone (Resigned 31 August 2017)

Information on directors

Name:	Mr Wallace (Wal) King (AO)
Title:	Non-Executive Chairman, Independent Director
Qualifications:	Honorary Doctorate of Science Master of Engineering Science Bachelor of Engineering
Experience and expertise:	Mr King has been a highly successful leader in the mining and construction industry successfully leading Leightons Holdings Limited to become one of the world's major contracting, services and project development organisations, and also the world's largest contract miner, collectively employing around 45,000 people and operating in more than 30 countries. Mr King began his career with Leighton in 1968 working on major construction projects all over Australia and quickly moved into management, becoming a Director of Leighton Holdings Limited in 1975 and being appointed CEO of Leighton Holdings Limited in February 1987, until his retirement on 31 December 2010. Mr King is Deputy Chairman of the University of New South Wales Foundation Limited, is a Director of Kimberley Foundation Australia Limited; and was up until recently one of the longest serving Directors of Coca-Cola Amatil Limited. He is a former Board Member of the Business Council of Australia and a former Council Member of the University of New South Wales and was President of the Australian Constructors Association from its inception in 1994 to December 2010. Mr King is an Honorary Fellow of the Institution of Engineers Australia; a Foundation Fellow of the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management, the Australian Institute of Building and the Australian Academy of Technological Sciences and Engineering. Mr King is also currently the Non-executive Chairman of Built Holdings Pty Limited. Mr King was the 2001 winner of the ICAA/Zurich Business Leader of the Year Award and also was the winner of the 2008 ICAA/Perpetual Business Leader of the Year. He was also awarded the 2001 Peter Nicol Russell Memorial Medal – The Institution of Engineers Australia's highest award, and was presented Life Membership by the Tourism and Transport Forum for his contribution to the development of Australian transport infrastructure. He was awarded Property Person of the Year 2008 by the Urban Taskforce.
Other current directorships:	Nil
Former directorships (last 3 years):	Chairman, Asia Resources Minerals plc (retired July 2015) Chairman, Sundance Resources Limited (retired December 2016) Director, Coca-Cola Amatil Limited (retired May 2017)
Special responsibilities:	Member of Remuneration Committee
Interests in shares:	As at 30 June 2018, Mr King indirectly owns 955,936 ordinary shares. Shares are held by Point Road Investments Pty Limited, which Mr King is a director and shareholder. Subsequent to 30 June 2018, Mr King directly acquired 102,000 ordinary shares on market on 3 August 2018. As at the date of this report Mr King holds 1,057,936 ordinary shares (102,000 direct and 955,936 indirect).
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	The Hon. Craig Wallace
Title:	Non-Executive Deputy Chairman, Independent Director
Qualifications:	Bachelor of Arts
Experience and expertise:	Mr Wallace served as the Queensland Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. His departments delivered major infrastructure projects across Queensland including the Gateway Bridge and rebuilding of Queensland Road assets following major floods. He is a former member of the Executive Council of Queensland, a member of Roads Australia and a Patron of the Committee for Infrastructure and Logistics Australia. In 2012 he formed Shanghai Commonwealth Investment and Consulting (which is operating mainly in China). The company has a focus on building trade ties between China and Australia with a particular focus on food products. Mr Wallace also serves as the Chairman of the Advisory Board China for CPG Capital Partners Limited.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit Committee
Interests in shares:	As at 30 June 2018: Nil Subsequent to 30 June 2018, Mr Wallace directly acquired 10,200 ordinary shares on market on 6 August 2018.
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Michael Avery
Title:	Executive Director
Qualifications:	Master of Business Administration Bachelor of Engineering (Mining) (First Class Hons)
Experience and expertise:	Mr Avery has been involved in the establishment and management of a number of successful public and private companies in mining, exploration and development, mining consulting services and mining contractor services. Mr Avery is a 30 year plus mining industry veteran with BE Mining (1st Class Honours) from UNSW and an MBA from Mt Eliza Business School. Mr Avery is also a qualified Coal Mine Manager and a member of the Australian Institute of Mining and Metallurgy. Mr Avery has extensive experience in the mining sector working in senior management and technical roles for a number of blue-chip mining companies (mostly Rio Tinto and BHP Billiton) at operations in Australia and around the world. These roles covered the full life cycle of open cut and underground mines from resource exploration and evaluation, through conceptual design, pre-feasibility, feasibility, construction, operation and management.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Indirectly owns 1,486,952 ordinary shares. Michael Avery is a beneficiary of Omaroo Pty Ltd and Crem Pty Ltd who are trustee companies for Omaroo Family Trust and Crem Family Trust respectively. Omaroo Pty Ltd and Crem Pty Ltd hold 742,490 and 744,462 shares respectively as at the date of this report.
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Tsogt Togoo
Title:	Non-Executive, Independent Director
Qualifications:	Master of Business Administration Master of Economics Bachelor of Economics (First Class Honours)
Experience and expertise:	Mr Tsogt has close to two decades of experience in the Mongolian public sector. He worked in the senior management of the Mongolian national oil company, overseeing commercial and operational functions, including petroleum product imports and internal distribution to filling stations. Mr Tsogt also led the privatisation division of the State Property Committee and has played extensive roles in the privatisation of Mongolia's most valuable state owned companies. Mr Tsogt was in charge of the privatisation of the national oil company, banks and other state-owned enterprises, restructuring power generation and energy distribution enterprises and the deregulation of the energy and oil sectors.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Philip Forrest
Title:	Non-Executive, Independent Director
Qualifications:	Fellow of the Australian Institute of Company Directors Certified Public Accountant Bachelor of Commerce (University of Queensland)
Experience and expertise:	For over 30 years, Mr Forrest has lived in South East Asia and contributed to the Australia/Asia commercial relationship. He is reinforcing that contribution through directorships, involvement in not for profit organisations, and the provision of consultation and advice. Since arriving in Singapore in 1992, he has headed three international banks (Westpac, NatWest and ANZ), with wide-ranging regional responsibilities. His most recent banking position was Asia Head for ANZ Bank, with responsibility for all of the Bank’s activities in eleven countries from Japan to Indonesia. Mr Forrest's current non-executive directorships include: Voyager Estate (Singapore), Readymix Holdings International, Gemstar Technology Asia, and EVOLVE Agribusiness Pte Ltd. He is currently a Director of The Australian Chamber of Commerce Singapore, and a Member of the Governing Council of the Singapore Institute of Directors. Philip is a Fellow of the Australian Institute of Company Directors, a Fellow of CPA Australia, and a Fellow of the Australian Institute for Business and Economics. He is a Member of the Thai Institute of Directors and of the Singapore Mining Club. He received an award in 2014 for forty years of membership of CPA Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman of the Audit Committee and Member of the Remuneration Committee
Interests in shares:	As at 30 June 2018, Mr Forrest directly owned 61,539 ordinary shares Subsequent to 30 June 2018, Mr Forrest acquired 50,000 ordinary shares on market on 3 August 2018. As at date of this report Mr Forrest holds 111,539 ordnary shares.
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr James (Jim) Soorley
Title:	Non-Executive, Independent Director
Qualifications:	Master of Organisation Development Bachelor of Arts
Experience and expertise:	Mr Soorley has been a highly successful leader in local government and business, which is demonstrated through previously being Lord Mayor of the City of Brisbane for 12 years. Mr Soorley's wealth of experience allows him to provide guidance and leadership in stakeholder relations and management to the TerraCom team both within Australian and overseas. Mr Soorley is currently the inaugural Chairman of Unitywater and Chairman of CS Energy, a Queensland Government owned electricity generator producing a third of Queensland’s electricity. Mr Soorley is also the inaugural Chairman for the Queensland Partnership Group (now PROPEL). He has also served on a number of key government committees and boards including the A.C.T Land Development Agency and Brisbane International Film Festival.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit Committee and Remuneration Committee
Interests in shares:	As at 30 June 2018, Mr Soorley held 392,000 ordinary shares indirectly through Mr James Soorley and Mrs Jacinta Mary Philip as trustee for Soorley and Philip Superannuation Fund. Mr Soorley is the trustee and member of the superannuation fund. Subsequent to 30 June 2018, the Soorley and Philip Superannuation Fund acquired 100,000 ordinary shares on market on 20 July 2018 and a further 100,000 ordinary shares on market on 3 August 2018. As at the date of this report, Mr Soorley holds 592,000 ordinary shares indirectly.
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Matthew Hunter
Title:	Non-Executive Director (appointed 18 January 2018)
Qualifications:	Bachelor of Commerce, Accounting and Finance
Experience and expertise:	Mr Hunter has more than 20 years' experience in the finance industry, most recently with over 10 years' experience in private equity investment. Mr Hunter is a member of the Advisory Board of AtlasTrend and Consultant engaged by OCP Asia. Mr Hunter 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, Mr Hunter was a Managing Director of The Carlyle Group. He also served on the Board as a Non-Executive Director of both Coates Hire and Healthscope, two of the largest private equity transactions undertaken in Australia. Mr Hunter also acts as Chairman of Measure Australia Pty Ltd which provides managed drone data solutions. Mr Hunter is the non-executive director of Medirent Pty Ltd which is a national provider of medical and maternity rental equipment.
Other current directorships:	Non-Executive Director of Silver Heritage Group Limited (appointed 14 December 2016)
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	As at 30 June 2018, Mr Hunter had an interest in 734,616 ordinary shares (direct 500,000 and indirect 234,616). Subsequent to 30 June 2018, Mr Hunter directly acquired a further 400,000 ordinary shares. As at date of this report, Mr Hunter holds 1,134,616 Ordinary shares (direct 900,000 and indirect 234,616). The indirect ordinary shares are held by M & M Hunter Pty Ltd as trustee for the Hunter Superannuation Fund of which Mr Hunter is a director of the trustee company and a member of the superannuation fund.
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Paul Anderson
Title:	Non-Executive Director (appointed 16 May 2018)
Qualifications:	Master of Management Master of Engineering
Experience and expertise:	Mr Anderson has had broad experience in development after managing a vast array of community infrastructure. His knowledge and experience of all aspects of building lead the team with a strong vision. Mr Anderson firmly believes that property development is a collaborative process with his team, project partners and the local community.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	As at 30 June 2018 and as at the date of this report, Mr Anderson directly owns 16,958 ordinary shares. As at 30 June 2018, Mr Anderson indirectly owned 55,776,474 ordinary shares; i) 55,636,649, ordinary shares - Bonython Coal No 1 Pty Ltd as trustee for the Bonython Coal No 1 Unit Trust. Mr Anderson is a director of the trustee company; ii) 127,517 ordinary shares - Singleton Group Nominees Pty Ltd as trustee for the Singleton No 5 Investment Trust. Mr Anderson is a director of the trustee company; and iii) 12,308 ordinary shares - PMAND Pty Ltd as trustee for Anderson Family Superannuation Fund. Mr Anderson is a director of the trustee company and a member of the superannuation fund. As at 30 June 2018 this represents a total of 55,793,432 ordinary shares (direct 16,958 and indirect 55,776,474). Subsequent to 30 June 2018, the Singleton Group Nominees Pty Ltd as trustee for the Singleton No. 5 Investment Trusta acquired 100,000 ordinary shares on market on 9 August 2018. As at the date of this report, the indirect interest increased to 55,876,474 ordinary shares as follows: i) 55,636,649, ordinary shares - Bonython Coal No 1 Pty Ltd as trustee for the Bonython Coal No 1 Unit Trust. Mr Anderson is a director of the trustee company; ii) 227,517 ordinary shares - Singleton Group Nominees Pty Ltd as trustee for the Singleton No 5 Investment Trust. Mr Anderson is a director of the trustee company; and iii) 12,308 ordinary shares - PMAND Pty Ltd as trustee for Anderson Family Superannuation Fund. Mr Anderson is a director of the trustee company and a member of the superannuation fund. As at the date of this report, this represents a total of 55,893,432 ordinary shares (direct 16,958 and indirect 55,876,474).
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr Cameron McRae
Title:	Non-Executive Director (resigned 21 November 2017)
Qualifications:	Master of Business Administration Bachelor of Financial Administration
Experience and expertise:	Mr McRae has served a distinguished 28 year career at Rio Tinto, holding executive level positions in 5 countries. Cameron was CEO-President of Oyu Tolgoi (OT) copper-gold business in Mongolia, CEO of Richards Bay Minerals in South Africa, Managing Director of Murowa Diamonds in Zimbabwe and Project Director for the Hail Creek Coal Mine Expansion Project in Central Queensland. In 1995 he was also a key member of the M&A team that brought RTZ plc and CRA Limited together to form the dual listed Rio Tinto. Mr McRae career highlight to date was leading the establishment of the OT business – Mongolia's world class mega project in the Gobi Desert. OT commenced construction in 2010 and the US$6 billion project was commissioned ahead of schedule and moved to full production before Mr McRae left in October 2013.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

Name:	Mr David Stone
Title:	Executive Director (resigned 31 August 2017)
Qualifications:	Bachelor of Mining Engineering Diploma in Risk Management Diploma from the Australian Institute of Company Directors
Experience and expertise:	Mr Stone is a successful leader in mining businesses for global corporations. His career spans over 20 years with expertise in operating resources businesses, either in senior management, project development, operations or closure. He has repeatedly demonstrated transformational ability within these businesses with a sole focus of creating shareholder value and has operated successfully across diverse geographical locations and environments. He has progressed through the mining industry performing most roles within a business including, operations, technical and management. This is in conjunction with being appointed to numerous government and industry committees and boards. He also holds a Mine Managers, Senior Site Executive and statutory qualifications.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil
Contractual rights to shares:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Nathan Boom

Mr Boom was appointed as the Company Secretary on 15 January 2016 and is also the Chief Financial Officer (appointed 15 March 2017). Mr Boom has been an employee of TerraCom since July 2015.

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

Directors interests

The interest of each director in the ordinary shares of the company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001 as at the date of this report is as follows:

	Ordinary shares Direct interest	Ordinary shares Indirect interest	Options over ordinary shares Direct interest	Options over ordinary shares Indirect interest	Total
Directors interests					
Mr Wallace (Wal) King AO (1)	102,000	955,936	-	-	1,057,936
The Hon. Craig Wallace	10,200	-	-	-	10,200
Mr Michael Avery (2)	-	1,486,952	-	-	1,486,952
Mr Philip Forrest	111,539	-	-	-	111,539
Mr James (Jim) Soorley (3)	-	592,000	-	-	592,000
Mr Matthew Hunter (4)	900,000	234,616	-	-	1,134,616
Mr Paul Anderson (5)	16,958	55,876,474	-	-	55,893,432
	1,140,697	59,145,978	-	-	60,286,675

The following directors do not have any interest in ordinary shares as at the date of this report:
i) Mr Tsogot Togoo

(1) Wallace King AO is a director and shareholder of Point Road Investments Pty Limited which holds the above indirect ordinary shares.

(2) Michael Avery is a beneficiary of Omaroo Pty Ltd and Crem Pty Ltd who are trustee companies for Omaroo Family Trust and Crem Family Trust respectively. Omaroo Pty Ltd and Crem Pty Ltd hold 742,490 and 744,462 shares respectively as at the date of this report.

(3) Jim Soorley is a trustee and a member of the Soorley and Philip Superannuation Fund which holds the above indirect ordinary shares

(4) Matthew Hunter is a director of the trustee company and a member of the Hunter Family Superannuation Fund which holds the above indirect ordinary shares

(5) The direct shareholding of 16,958 ordinary shares above is jointly held with Monique Anderson.

The Indirect shareholding of 55,876,474 ordinary shares above is as follows:
i) 55,636,649, ordinary shares - Bonython Coal No 1 Pty Ltd as trustee for the Bonython Coal No 1 Unit Trust. Paul Anderson is a director of the trustee company;
ii) 227,517 ordinary shares - Singleton Group Nominees Pty Ltd as trustee for the Singleton No 5 Investment Trust. Paul Anderson is a director of the trustee company;
iii) 12,308 ordinary shares - PMAND Pty Ltd as trustee for Anderson Family Superannuation Fund. Paul Anderson is a director of the trustee company and a member of the superannuation fund.

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 2018, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Wallace (Wal) King AO	11	11	1	2	-	-
The Hon. Craig Wallace	11	11	-	-	5	5
Mr Michael Avery	11	11	-	-	-	-
Mr Tsogt Togoo	11	11	-	-	-	-
Mr Philip Forrest	11	11	2	2	5	5
Mr James (Jim) Soorley	11	11	1	2	5	5
Mr Matthew Hunter (1) Mr	5	5	-	-	-	-
Paul Anderson (2) Mr	1	1	-	-	-	-
Cameron McRae (3) Mr	5	5	-	-	-	-
David Stone (4)	1	1	-	-	-	-

The nomination committee has all members of the board as members. Accordingly, this is dealt with at the Board of Directors meetings.

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

(1) Mr Matthew Hunter was appointed on 18 January 2018

(2) Mr Paul Anderson was appointed on 16 May 2018

(3) Mr Cameron McRae resigned on 21 November 2017

(4) Mr David Stone resigned on 31 August 2017

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

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

- As announced on 5 April 2011, TerraCom granted a call option with respect to its now wholly owned subsidiary Terra Energy LLC. The Call Option Deed counterparty has the right to acquire a 25% interest in Terra Energy LLC for AU$25 million with the option expiring immediately prior to a qualifying IPO, otherwise there is no expiration date.
- As previously announced, the now extinguished debt facilities with OCP Asia and others (Amortising Notes and Convertable Notes facilities) had 12,630,833 detachable warrants issued on 26 February 2016. Principle terms of the warrants are:
  i) Expiry date: five years from the date of issue;
  ii) Exercise price: is $0.262 per share, unless a cross listing on the SGX has completed, in which case the exercise price is the lower of the Cross Listing Price and the Market Price;
  iii) Fully transferrable (either in whole or part) to another sophisticated or professional investor;
  iv) Exercisable at holder’s option in exchange for fully paid ordinary shares in the Company.
- On 6 September 2016 the Company issued 1,500,000 unlisted ordinary share options (“Options”) to Foster Stockbroking Pty Ltd at a strike price equal to $0.45 and with an expiry date of 31 August 2018.

Shares issued on the exercise of options
On 6 September 2016 the Company issued unlisted ordinary share options (options) to Foster Stockbroking Pty Limited (Foster) which during the 2018 financial year and up to the date of this report were converted to ordinary shares as follows:

- On 7 June 2018 the company, following receiving option exercise notice from Foster's, converted 750,000 options at a strike price of $0.30 to 750,000 ordinary shares
- On 5 July 2018 the company, following receiving option exercise notice from Foster's, converted 750,000 options at a strike price of $0.30 to 750,000 ordinary shares

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 Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $18,399,000 (30 June 2017: profit of $22,465,000).

Highlights

TerraCom Limited and its controlled entities (TerraCom or the Company) has achieved the following for the year ended 30 June 2018:

- Run of mine production 2,498,993 tonnes (2017: 344,278 tonnes)
- Coal sales 1,905,176 tonnes (2017: 315,942 tonnes)
- Revenue from operations $147.1 million (2017: $22.5 million)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $28.6 million (2017: $37.9 million, inclusive of a $60.9 million gain on acquisition of Blair Athol Coal Mine)
- Net profit / (loss) after tax of $(19.1) million (2017: $22.2 million)
- Net operating cash flows of $34.3 million (2017: $(9.8) million)
- Net increase of gross working capital of $27.3 million (2017: $14.3 million)
- Cash and cash equivalents of $13.9 million (2017: $8.6 million)

Financial Performance, Financial Position and Cash Flow

The Company has reported a net loss after tax of $19.1 million (2017: profit after tax of $22.2 million, inclusive of a $60.9 million gain on acquisition of Blair Athol Coal Mine).

The Company has reporting earnings before interest, tax, depreciation and amortisation (EBITDA) of $28.6 million (2017: $37.9 million, inclusive of a $60.9 million gain on acquisition of Blair Athol Coal Mine).

	1 July 2017 to 31 December 2017 (1) $M	1 January 2018 to 30 June 2018 $M	Year ended 30 June 2018 $M	Year ended 30 June 2017 $M
Statement of comprehensive income analysis				
Revenue	45.2	101.9	147.1	22.5
Cost of Goods Sold	(35.1)	(71.2)	(106.3)	(21.3)
Gross Profit	10.1	30.7	40.8	1.2
Gain on Acquisition	-	-	-	60.9
Other Expenses	(4.6)	(7.6)	(12.2)	(24.2)
EBITDA	5.5	23.1	28.6	37.9
Depreciation and Amortisation	(6.0)	(12.2)	(18.2)	(4.9)
Net Financial Expense	(17.2)	(18.9)	(36.1)	(32.5)
Profit/(Loss) Before Income Tax	(17.7)	(8.0)	(25.7)	0.5
Income Tax Benefit	3.5	3.1	6.6	21.7
Profit/(Loss) After Income Tax	(14.2)	(4.9)	(19.1)	22.2

The Company has reported an increase in its cash and cash equivalents by $5.288 million to $13.874 million (2017: $8.586 million).

	1 July 2017 to 31 December 2017 (1) $M	1 January 2018 to 30 June 2018 $M	Year ended 30 June 2018 $M	Year ended 30 June 2017 $M
Statement of cash flows analysis				
Net cash at beginning of period	8.6	1.0	8.6	1.2
Net cash from operating activities	2.9	31.4	34.3	(9.8)
Net cash from investing activities	(14.1)	(39.1)	(53.2)	(4.0)
Net cash from financing activities	3.6	20.6	24.2	21.2
Net increase/(decrease) in cash held	(7.6)	12.9	5.3	7.4
Net cash at end of period	1.0	13.9	13.9	8.6

The Company ended the 2018 financial year with a net asset position of $27.3 million (2017: $30.1 million).

During the year, and as part of the increased working capital investment resulting from the increase of 1,589,234 coal sales tonnes year on year (2018: 1,905,176 tonnes; 2017: 315,942 tonnes), current assets increased by $24.7 million and current liabilities increased by $44.8 million.

	As at 31 December 2017 (1) $M	As at 30 June 2018 $M	As at 30 June 2017 $M
Statement of financial position analysis			
Current Assets	24.6	46.1	21.4
Non-Current Assts	328.0	373.4	324.9
Total Assets	352.6	419.5	346.3
Current Liabilities	94.2	112.9	68.1
Non-Current Liabilities	253.9	279.3	248.1
Total Liabilities	348.1	392.2	316.2
Net Assets	4.5	27.3	30.1
Equity	4.5	27.3	30.1

(1) This is derived from auditor reviewed half-year financial statements (as listed on the ASX on 28 February 2018) and the audited year-end financial statements presented below. These measures are presented to provide further insight into TerraCom's performance.

Operational Summary

Production Overview: Quarter by quarter for 12 Months Ending 30 June 2018:

	Q1 Sep 2017	Q2 Dec 2017	Q3 Mar 2018	Q4 Jun 2018	Total Total 2018
Production Overview: Quarter by quarter					
Run of Mine Coal mined (tonnes)	271,468	599,746	612,129	1,015,650	2,498,993
Overburden Mined (bcm)	5,584,092	7,238,321	7,272,177	6,617,336	26,711,926
Strip Ratio	21	12	12	7	11
Equivalent Saleable Production (tonnes)	271,468	563,799	499,038	896,529	2,230,834
Sales (tonnes)	158,583	474,882	622,491	649,220	1,905,176
Inventory (tonnes)	186,680	290,239	173,923	393,640	393,640

Production: Year to Date – 12 Months Ending 30 June 2018:

	2018 YTD	2017 YTD	Change	Change %
Production: Year to Date				
Run of Mine Coal mined (tonnes)	2,498,993	344,278	2,154,715	626%
Overburden Mined (bcm)	26,711,926	5,409,424	21,302,502	394%
Strip Ratio	11	16	5	32%
Equivalent Saleable Production (tonnes)	2,230,834	344,278	1,886,556	548%
Sales (tonnes)	1,905,176	315,942	1,589,234	503%
Inventory (tonnes)	393,640	75,697	317,943	420%

Blair Athol Coal Mine (Australia)

Production Overview: Quarter by Quarter for 12 Months Ending 30 June 2018:

	Q1 Sep 2017	Q2 Dec 2017	Q3 Mar 2018	Q4 Jun 2018	Total Total 2018
Blair Athol Coal Mine production by quarter					
Run of Mine Coal mined (tonnes)	124,250	317,746	407,952	724,972	1,574,920
Overburden Mined (bcm)	2,221,357	3,739,744	4,348,459	3,939,305	14,248,865
Strip Ratio	18	12	11	5	9
Equivalent Saleable Production (tonnes)	124,250	281,799	294,861	605,851	1,306,761
Sales (tonnes)	46,461	158,087	409,693	380,401	994,642
Inventory (tonnes)	77,789	201,118	91,615	312,119	312,119

Production: Year to Date – 12 Months Ending 30 June 2018:

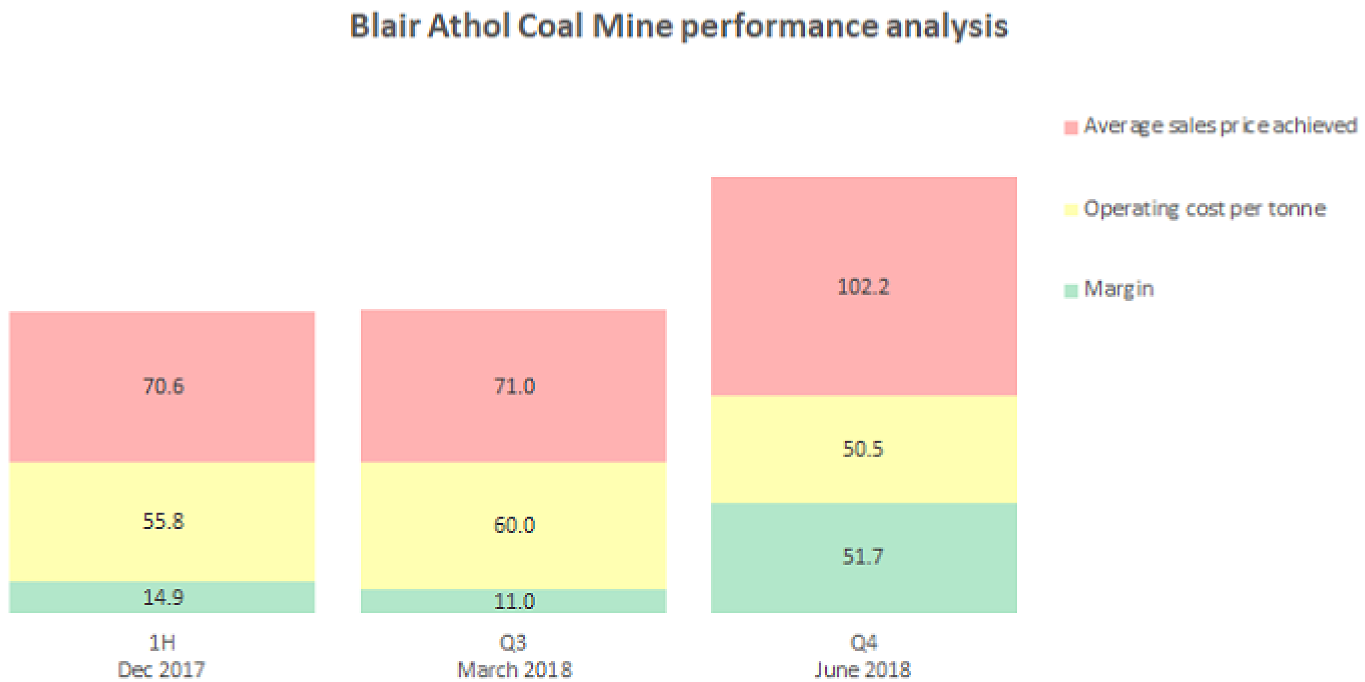
	2018 YTD	2017 YTD	Change	Change %
Blair Athol Coal Mine production				
Run of Mine Coal mined (tonnes)	1,574,920	-	1,574,920	-
Overburden Mined (bcm)	14,248,865	-	14,248,865	-
Strip Ratio	9	-	(9)	-
Equivalent Saleable Production (tonnes)	1,306,761	-	1,306,761	-
Sales (tonnes)	994,642	-	994,642	-
Inventory (tonnes)	312,119	-	312,119	-

Key milestones achieved for the year ended 30 June 2018:

- 13 August 2017 – First Coal Mined.
- 25 August 2017 – First Product Coal Crushed.
- 26 August 2017 – First Dragline Swing.
- 10 October 2017 – First Product Coal Washed.
- 19 October 2017 – First Coal Trucked to Third Party Coal Handling Facility.
- 2 April 2018 – Train load out practical completion was achieved.
- 6 April 2018 – First train was loaded at the Train Load Out.

During the year the Company continued to complete advancing face and rehabilitation. This included capping of the old tailings storage facility which was completed ahead of schedule.

The following graphic highlights the significant improvement in the sale price and margin in Q4 2018 in comparison to the previous quarters after the completion of the Train Load Out facility at Blair Athol on 2 April 2018.



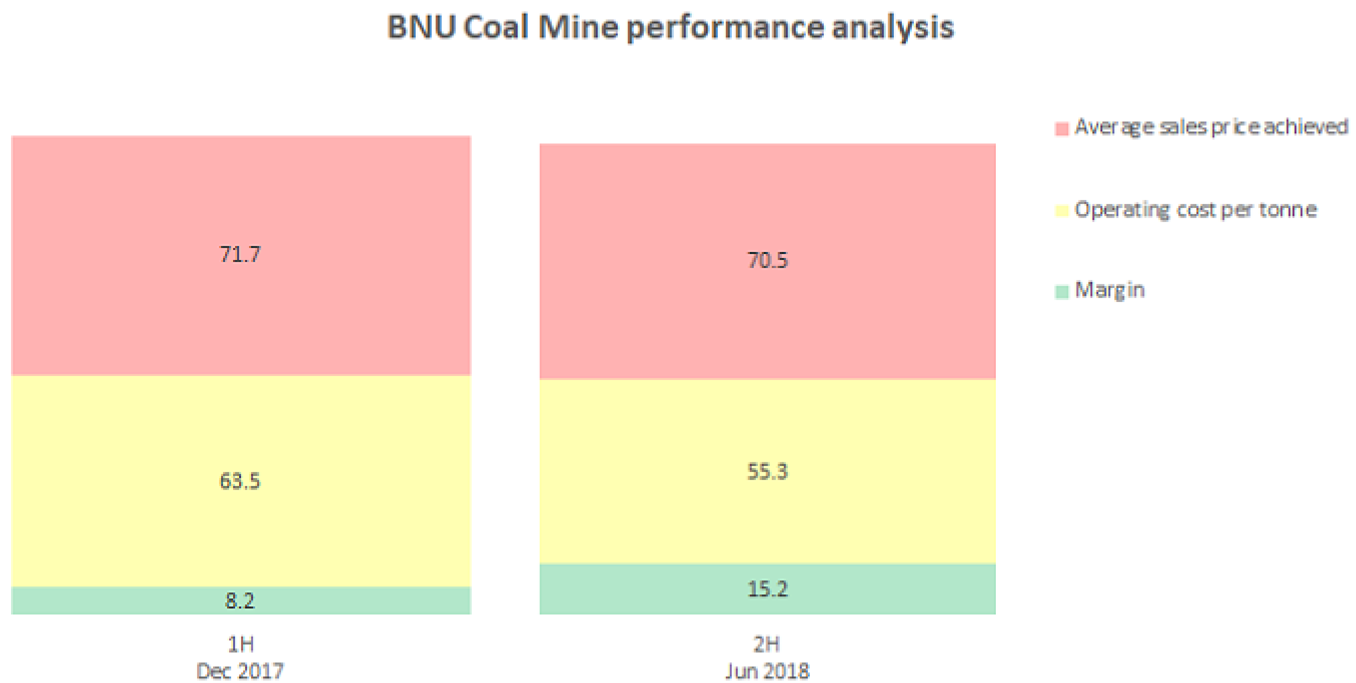
BNU Coal Mine (Mongolia)

Production Overview: Quarter by Quarter for 12 Months Ending 30 June 2018:

	Q1 Sep 2017	Q2 Dec 2017	Q3 Mar 2018	Q4 Jun 2018	Total Total 2018
BNU Coal Mine production by quarter					
Run of Mine Coal mined (tonnes)	147,218	282,000	204,177	290,678	924,073
Overburden Mined (bcm)	3,362,735	3,498,577	2,923,718	2,678,031	12,463,061
Strip Ratio	23	12	14	9	13
Equivalent Saleable Production (tonnes)	147,218	282,000	204,177	290,678	924,073
Sales (tonnes)	112,122	316,795	212,798	268,819	910,534
Inventory (tonnes)	108,891	89,121	82,308	81,521	81,521

Production: Year to Date – 12 Months Ending 30 June 2018:

	2018 YTD	2017 YTD	Change	Change %
BNU Coal Mine production				
Run of Mine Coal mined (tonnes)	924,073	344,278	579,795	168%
Overburden Mined (bcm)	12,463,061	5,409,424	7,053,637	130%
Strip Ratio	13	16	3	19%
Equivalent Saleable Production (tonnes)	924,073	344,278	579,795	168%
Sales (tonnes)	910,534	315,942	594,592	188%
Inventory (tonnes)	81,521	75,697	5,824	8%



Matters subsequent to the end of the financial year

On 5 July 2018 the Company announced that Foster Stockbroking Pty Limited had been issued 750,000 ordinary shares following the Company receiving an options conversion notice for 750,000 options at a strike price of $0.30.

On 9 August 2018 the Company announced it had paid US$8.6 million principal and interest to fully repay the US$12 million Super Senior Note A Facility. The repayment of the Super Senior Note A Facility represents a 4% reduction in the Company's debt.

On 24 August 2018 the Company announced it had paid US$2.8 million to settle the equity convertible Noble Fuel Facility and Noble Further Conversion Amount as per the Fuel Amendment Deed.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The Group holds licences issued by the relevant environmental protection authorities of the various countries in which it operates. There have been no significant known breaches of the consolidated entities' licence conditions or any environmental regulations.

Risks relating to TerraCom's future prospects

The Company operates in the coal industry in both Mongolia and Australia. There are a number of factors, both specific to the Company and to the coal industry 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 Company's shares. Many of the circumstances giving rise to these risks are beyond the control of the Company's Directors and its management. The major risks believed to be associated with investment in the Company is as follows:

Development Risks

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

Country Risks

There is a risk that circumstances (including unforeseen circumstances) in either Mongolia or Australia 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.

Financing Risks

To meet ongoing working capital requirements, interest and principal payments, capital expenditure commitments at the BNU and Blair Athol mines, additional funding may be required. The Company's funding plans and basis of preparation of the financial statements on a going concern basis are disclosed in Note 1 of the financial statements. If adequate funds are not available on acceptable terms, the Company may be unable to fund its operations and/or any expansion plans.

Competition Risk

The industry in which the Company is involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

Resources and Reserves Risk

The future success of the Company will depend on its ability to find or acquire coal reserves that are economically recoverable. There can be no assurance that the Company's planned exploration activities will result in significant resources or reserves or that it will have success mining coal. Even if the Company 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 Company'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.

Exploration and Evaluation Risk

Potential investors should understand that mineral exploration and development are high risk undertakings. While the Company 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 Company'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 Company 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 Company will be able to successfully transport these resources to commercially viable market or sell the resources to customers to achieve a commercial return.

Operational Risk

If the Company decides to further develop and or commission a mine, the operations of the Company including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in commissioning an 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.

Environmental Risk

The Company's projects are subject to laws and regulations regarding environmental matters. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company could be subject to liability due to risks inherent to its activities, such as groundwater contamination, subsidence, accidental spills, leakages or other unforeseen circumstances. As at the date of signing this report, the Company has not breached any environmental laws in jurisdictions in which it operates during the financial year and up to the date of signing this report.

Market Risks

The Company's plans for any revenue are to be derived mainly from the sale of coal and/or coal products. Consequently, the Company'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 Company, 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 Company were to fall below production costs for these products and remain at that level for a sustained period of time, the Company would be likely to experience losses, having a material adverse effect on the Company.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' 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 directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of 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. During 2018 financial year, except for the Non-executive Chairman, non-executive directors did not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2017, where the shareholders approved a maximum annual aggregate remuneration of $700,000, excluding remuneration and reward framework items which is approved by resolution at the Annual General Meeting.

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their 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 consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. For the 2018 financial year the core KPI was coal sale tonnes from the Group's two operating coal mines.

For the 2018 financial year, there was no long-term incentives ('LTI') for executives.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration Committee. Refer to the section below for details of the earnings and total shareholders return for the last five years.

Last 5 years performance measures	2018	2017	2016	2015	2014
Profit/(loss) attributable to the Group ($'000)	(19,135)	22,245	(51,786)	(43,326)	(65,593)
Share price at year end	0.415	0.270	0.060	0.310	0.649
Basic EPS (cents per share)	(5.58)	8.55	(31.38)	(45.68)	(92.12)
Diluted EPS (cents per share)	(5.58)	7.94	(31.38)	(45.68)	(92.12)

The Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

No remuneration recommendations were received from external providers during the financial year.

Voting and comments made at the company's 30 November 2017 Annual General Meeting ('AGM')
At the 30 November 2017 AGM, 99.58% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

Non-Executive Directors

Name	Position / Title	Appointment / Resigned
Mr Wallace (Wal) King AO	Non-Executive, Independent Director	Ceased 31 August 2017
	Non-Executive Chairman, Independent Director	Appointed 1 September 2017
The Hon. Craig Wallace	Non-Executive Deputy Chairman, Independent Director	
Mr Tsogt Togoo	Non-Executive, Independent Director	
Mr Philip Forrest	Non-Executive, Independent Director	
Mr James (Jim) Soorley	Non-Executive, Independent Director	
Mr Matthew Hunter	Non-Executive Director	Appointed 18 January 2018
Mr Paul Anderson	Non-Executive Director	Appointed 16 May 2018
Mr Cameron McRae	Executive Chairman	Ceased 31 August 2017
	Non-Executive Director	Appointed 1 September 2017; Resigned 21 November 2017

Executives

Name	Position / Title	Appointment or Resigned
Mr Michael Avery	Executive Director; and Vice President - Corporate Development	
Mr Nathan Boom	Company Secretary; and Chief Financial Officer	
Mr David Stone	Executive Director; and Vice President - Operations	Resigned 31 August 2017

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr Wallace (Wal) King AO (1)	122,365	-	-	8,676	-	200,000	331,041
The Hon. Craig Wallace	120,000	-	-	-	-	-	120,000
Mr Tsogt Togoo	129,678	-	-	-	-	-	129,678
Mr Philip Forrest	57,724	-	-	-	-	-	57,724
Mr James (Jim) Soorley	120,000	-	-	-	-	-	120,000
Mr Matthew Hunter	24,893	-	-	2,365	-	-	27,258
Mr Paul Anderson	6,923	-	-	658	-	-	7,581
Executives:							
Mr Michael Avery	405,000	-	-	38,475	-	-	443,475
Mr Nathan Boom	421,154	-	-	25,000	-	-	446,154
Mr David Stone (2)	135,824	-	-	6,635	-	-	142,459
Mr Cameron McRae (3)	79,975	-	-	-	-	-	79,975
	1,623,536	-	-	81,809	-	200,000	1,905,345

(1) The $200,000 ordinary shares issued to Mr King relate to the period 1 September 2017 to 31 December 2018 and were approved at the Annual General Meeting on 30 November 2017. The fair value of these ordinary shares on grant date, being 30 November 2017, was $0.21 per share amounting to $163,107.

(2) Mr David Stone resigned on 31 August 2017

(3) Mr Cameron McRae resigned on 21 November 2017

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Mr Wallace (Wal) King AO	7,419	-	-	-	-	-	7,419
The Hon. Craig Wallace	120,000	-	-	-	-	-	120,000
Mr Tsogt Togoo	116,032	-	-	-	-	-	116,032
Mr Philip Forrest	58,800	-	-	-	-	-	58,800
Mr James (Jim) Soorley	37,742	-	-	-	-	-	37,742
Ms Loo Hwee Fang	40,480	-	-	-	-	-	40,480
Executives:							
Mr Michael Avery	419,658	-	-	39,867	-	-	459,525
Mr Nathan Boom	308,993	-	-	24,354	-	-	333,347
Mr Cameron McRae (1)	400,000	-	9,590	-	-	2,712,793	3,122,383
Mr David Stone	419,041	-	-	39,809	-	-	458,850
Mr Julien Lawrence	230,344	-	-	-	-	-	230,344
Mr Karl Arnold	308,762	-	-	-	-	-	308,762
	2,467,271	-	9,590	104,030	-	2,712,793	5,293,684

(1) During the current year these share-based payments equity settled (shares under option) were forfeited during the year.

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

Name	Fixed remuneration 2018	Fixed remuneration 2017	Share based payment 2018	Share based payment 2017	At risk - incentives 2018	At risk - incentives 2017
Non-Executive Directors:						
Mr Wallace (Wal) King AO	40%	100%	60%	-	-	-
The Hon. Craig Wallace	100%	100%	-	-	-	-
Mr Tsogt Togoo	100%	100%	-	-	-	-
Mr Philip Forrest	100%	100%	-	-	-	-
Mr James (Jim) Soorley	100%	100%	-	-	-	-
Mr Matthew Hunter	100%	100%	-	-	-	-
Mr Paul Anderson	100%	100%	-	-	-	-
Ms Loo Hwee Fang	-	100%	-	-	-	-
Executives:						
Mr Michael Avery	100%	100%	-	-	-	-
Mr Nathan Boom	100%	100%	-	-	-	-
Mr David Stone	100%	100%	-	-	-	-
Mr Cameron McRae	100%	13%	-	87%	-	-
Mr Julien Lawrence	-	100%	-	-	-	-
Mr Karl Arnold	-	100%	-	-	-	-

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Date	Shares	Issue price	$
Mr Wallace (Wal) King AO	29 December 2017	776,698	$0.2575	200,000

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

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 consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr Wallace (Wal) King AO	-	776,698	179,238	-	955,936
Mr Michael Avery	1,486,952	-	-	-	1,486,952
Mr Philip Forrest	50,000	-	11,539	-	61,539
Mr James (Jim) Soorley	292,000	-	100,000	-	392,000
Mr Matthew Hunter (Appointed 18 January 2018) (1)	-	-	734,616	-	734,616
Mr Paul Anderson (Appointed 16 May 2018) (1)	-	-	55,793,432	-	55,793,432
	1,828,952	776,698	56,818,825	-	59,424,475

(1) The additions for Mr Hunter and Mr Anderson include the shares they held at their respective appointment dates as follows:
i) Mr Hunter; 150,000 ordinary shares
ii) Mr Anderson; 55,793,432 ordinary shares

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr Cameron McRae (Resigned 21 November 2017)	7,331,874	-	-	(7,331,874)	-
	7,331,874	-	-	(7,331,874)	-

This concludes the remuneration report, which has been audited.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 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.

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

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

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

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

Officers of the company who are former partners of Ernst & Young

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

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.

Auditor

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

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

On behalf of the directors

Wallace Macarthur King
Non-Executive Chairmen

30 August 2018
Sydney

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of TerraCom Limited

As lead auditor for the audit of TerraCom Limited for the year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Anthony Jones
Partner
30 August 2018

General information

The financial statements are presented in Australian dollars, which is TerraCom Limited's presentation currency. With the exception of the Australian exploration subsidiaries, the functional currency of all individual entities within the Group are United States Dollar (USD).

TerraCom Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Blair Athol Mine Access Road, Clermont, Queensland, 4721

A description of the nature of the consolidated entity'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 30 August 2018. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 2018 $'000	2017 $'000
Revenue		147,141	22,494
Cost of goods sold		(106,330)	(21,327)
		40,811	1,167
Gain on acquisition	5	-	60,872
Expenses			
Other operating expenses		(4,362)	(6,526)
Administration expense		(9,099)	(14,210)
Exploration tenement write-off		(184)	(3,415)
Net foreign exchange gain		1,403	59
Share of losses of associates		(14)	(9)
EBITDA		28,555	37,938
Depreciation and amortisation expense	20	(18,177)	(4,873)
Financial income		5	9
Financial expense	6	(36,119)	(32,507)
Profit/(loss) before income tax benefit		(25,736)	567
Income tax benefit	8	6,601	21,678
Profit/(loss) after income tax benefit for the year		(19,135)	22,245
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		590	1,877
Other comprehensive income for the year, net of tax		590	1,877
Total comprehensive income for the year		(18,545)	24,122
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(736)	(220)
Owners of TerraCom Limited	35	(18,399)	22,465
		(19,135)	22,245
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(771)	(218)
Owners of TerraCom Limited		(17,774)	24,340
		(18,545)	24,122
		Cents	Cents
Basic earnings per share	46	(5.58)	8.55
Diluted earnings per share	46	(5.58)	7.94

Refer to note 3 for detailed information on Restatement of comparatives.

The above statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	11,874	8,586
Trade and other receivables	11	15,324	5,159
Inventories	13	16,333	2,457
Secured deposit	14	2,449	5,119
Other current assets	16	212	91
Total current assets		46,192	21,412
Non-current assets			
Cash and cash equivalents	10	2,000	-
Trade and other receivables	12	8,026	4,767
Secured deposit	15	71,814	72,512
Investments accounted for using the equity method	18	1,363	1,377
Property, plant and equipment	20	243,132	198,135
Exploration and evaluation	21	40,779	47,764
Deferred tax	22	2,730	-
Other non-current assets	17	3,539	293
Total non-current assets		373,383	324,848
Total assets		419,575	346,260
Liabilities			
Current liabilities			
Trade and other payables	23	75,044	37,148
Borrowings	25	22,641	28,408
Provisions	27	347	436
Financial liabilities	29	1,805	730
Deferred revenue	31	13,031	1,375
Total current liabilities		112,868	68,097
Non-current liabilities			
Trade and other payables	24	5,294	5,570
Borrowings	26	196,067	157,970
Deferred tax	32	-	4,203
Provisions	28	74,165	75,775
Financial liabilities	30	3,808	4,546
Total non-current liabilities		279,334	248,064
Total liabilities		392,202	316,161
Net assets		27,373	30,099
Equity			
Issued capital	33	227,804	212,062
Reserves	34	(27,194)	(27,896)
Accumulated losses	35	(176,526)	(158,127)
Equity attributable to the owners of TerraCom Limited		24,084	26,039
Non-controlling interest	36	3,289	4,060
Total equity		27,373	30,099

Refer to note 3 for detailed information on Restatement of comparatives.

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

Consolidated	Issued capital $'000	Acquisition reserve $'000	Foreign currency translation reserve $'000	Share based payments / options reserve $'000	Accumulated Losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	195,276	(36,685)	(4,139)	7,959	(180,592)	4,278	(13,903)
Profit/(loss) after income tax benefit for the year	-	-	-	-	22,465	(220)	22,245
Other comprehensive income for the year, net of tax	-	-	1,875	-	-	2	1,877
Total comprehensive income for the year	-	-	1,875	-	22,465	(218)	24,122
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 33)	16,786	-	-	-	-	-	16,786
Share-based payments (note 47)	-	-	-	2,713	-	-	2,713
Unlisted options	-	-	-	381	-	-	381
Balance at 30 June 2017	212,062	(36,685)	(2,264)	11,053	(158,127)	4,060	30,099

Refer to note 3 for detailed information on Restatement of comparatives.

Consolidated	Issued capital $'000	Acquisition reserve $'000	Foreign currency translation reserve $'000	Share based payments / options reserve $'000	Accumulated Losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	212,062	(36,685)	(2,264)	11,053	(158,127)	4,060	30,099
Loss after income tax benefit for the year	-	-	-	-	(18,399)	(736)	(19,135)
Other comprehensive income for the year, net of tax	-	-	625	-	-	(35)	590
Total comprehensive income for the year	-	-	625	-	(18,399)	(771)	(18,545)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 33)	15,542	-	-	-	-	-	15,542
Share-based payments (note 47)	200	-	-	77	-	-	277
Balance at 30 June 2018	227,804	(36,685)	(1,639)	11,130	(176,526)	3,289	27,373

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

	Note	Consolidated 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		145,374	18,560
Payments to suppliers and employees		(91,597)	(25,947)
Interest received		5	5
Interest paid		(19,111)	(10,404)
Receipts/(payments) relating to secured deposits		(390)	7,969
Net cash from/(used in) operating activities	48	34,281	(9,817)
Cash flows from investing activities			
Payments for property, plant and equipment	20	(47,625)	(10,074)
Payments for intangibles		-	(149)
Payments for exploration and evaluation		(2,357)	-
Payments for cash advances to other parties	17	(3,258)	-
Proceeds from disposal of property, plant and equipment		-	6,210
Net cash used in investing activities		(53,240)	(4,013)
Cash flows from financing activities			
Proceeds from issue of shares		14,734	7,441
Proceeds from borrowings		21,268	14,928
Share issue transaction costs		(1,149)	(201)
Repayment of borrowings		(10,623)	(998)
Net cash from financing activities		24,230	21,170
Net increase in cash and cash equivalents		5,271	7,340
Cash and cash equivalents at the beginning of the financial year		8,586	1,199
Effects of exchange rate changes on cash and cash equivalents		17	47
Cash and cash equivalents at the end of the financial year		13,874	8,586
Cash and cash equivalents at the end of the financial year			
Current	9	11,874	8,586
Non-current	10	2,000	-
		13,874	8,586

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

The consolidated entity has adopted AASB 2016-1 from 1 January 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. Refer to note 22.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

The consolidated entity has adopted AASB 2016-2 from 1 January 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Refer to notes 25 and 26.

Basis of preparation

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

Going Concern

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

As at 30 June 2018 the Group had a net current liability deficiency of $66.676 million and recorded a statutory loss after tax of $19.135 million, of which $18.177 million related to non-cash depreciation and amortisation. The Group has total net assets of $27.373 million at 30 June 2018 and generated net cash from operating activities during the year ended 30 June 2018 of $34.281 million, an increase of $44.098 million on the previous financial year.

During the year the Company commenced mining activities at its Blair Athol Coal Mine in Queensland, Australia in August 2017 and continued to meet significant production milestones, achieving run rates in line with nameplate mine capacity and completion of the onsite Train Load Out facility on 2 April 2018. In conjunction with increased production at the BNU North Mine in South Gobi, Mongolia, the improvement in operating cash flows during the year reflect these operational changes with coal sales increasing to 1.905 million tonnes during the year from 0.316 million tonnes in the previous financial year. The net cash from operating activities is on the back of average coal prices realised since commencement of Blair Athol onsite Train Load Out facility of $102.2 per tonne sold with respect to the Blair Athol mine, and $71.2 per tonne sold with respect to the BNU Mine.

The Group believes that cash flows being generated from current operations support the going concern basis upon which these financial statements are prepared. Should the Group continue to operate at current performance levels (production and operating costs) and realise coal prices consistent with market consensus forecasts the cash generated from operations will enable the Group to meet its current debt and liability obligations, fund ongoing operating activities and address the net current liability deficiency.

Note 1. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 44.

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 2018 and the results of all subsidiaries for the year then ended. TerraCom Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity 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 consolidated entity 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.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is TerraCom Limited's presentation currency. With the exception of the Australian exploration subsidiaries which have its functional currency as Australian dollars, the functional currency of all individual entities within the Group is United States Dollar (USD).

Note 1. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

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.

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

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity'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 consolidated entity'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.

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.

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates
Associates are entities over which the consolidated entity 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 consolidated entity'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 consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity 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.

Property, plant and equipment
Land and buildings is stated at historical cost. Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a units of production method for plant and equipment and mine development and a straight-line basis for other assets with expected useful lives as follows:

Furniture, fixtures and fittings	1-10 years
Office equipment	1-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease 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 consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 1. Significant accounting policies (continued)

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 even, 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.

Provision are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated costs of rehabilitation include the current cost of re-contouring, topsoiling and revegetation based on legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a liability with a corresponding asset included in mining property and development assets.

At each reporting date, the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance expense in the consolidated statement of comprehensive income as it occurs.

For closed mines, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the consolidated statement of comprehensive income as incurred.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

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

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.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 1. Significant accounting policies (continued)

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 Binomial 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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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 is treated as if they were a modification.

Deferred revenue
Deferred revenue is recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the consolidated entity has transferred the goods or services to the customer. The liability is the consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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

Note 1. Significant accounting policies (continued)

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.

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.

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. For each business combination, 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.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity 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.

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.

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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST 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 receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST 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 recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations that are not adopted and most relevant to the consolidated entity, the assessment of its impact are set out below.

AASB 9 Financial Instruments
This standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for the Company from 1 July 2018.

TerraCom has undertaken a review of its financial instruments and concluded that no material adjustments to profit or retained earnings on adoption are required.

AASB 15 Revenue from Contracts with Customers
This standard will change the timing and in some cases the quantum of revenue recognised from customers. AASB 15 requires an entity to recognise revenue by identifying for each customer contract, the performance obligations in the contract and the transaction price. The transaction price is then allocated against the performance obligations in the contract with revenue recognised when (or as) the entity satisfies each performance obligation. The standard permits either a full retrospective or a modified retrospective approach for the adoption. AASB 15 is effective for the Company from 1 July 2018.

TerraCom has undertaken a detailed review of all its current revenue contracts against the requirements of AASB 15 and considering relevant industry guidance. The review concluded there will be no adjustments to profit or retained earnings on adoption of AASB 15.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to TerraCom from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

The Company is undertaking a detailed review of all its current contracts against the requirements of AASB 16 and considering relevant industry guidance. At this stage the Company is still in the process of making an assessment as to which contracts may contain a lease and what adjustments, if any, are necessary on adoption of AASB 16. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company’s profit or loss and classification of cash flows going forward.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity 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 Binomial 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.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Rehabilitation provision
A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations 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.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity 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.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Restatement of comparatives

Correction of estimate - Finalisation of Purchase Price Accounting
The adjusted fair value of the identifiable assets (excluding the secured deposit held by the Queensland Department of Environment and Heritage Protection) as at the date of acquisition was US$61.3 million (AU$82.3 million) before tax. The prior reported values of this was US$45.2 million (AU$60.7 million). In accordance with accounting standards, the adjustments have been reflected in the prior period balances of property, plant and equipment and deferred tax as shown below.

Further details of the Blair Athol Coal Mine acquisition are in Note 5.

Prior period correction
A deferred tax liability of $2.075 million was incorrectly booked in relation to deferred stripping in Mongolia in 2017. This has been restated in the note below.

Reclassification
Selling and distribution expenses and Government royalties have been reclassified as Cost of goods sold to more accurately reflect the gross margin.

Deferred revenue has been disclosed on the statement of financial position as a separate item to reflect the changes in the business operations.

Note 3. Restatement of comparatives (continued)

Statement of comprehensive income

	Consolidated		
Extract	2017 $'000 Reported	$'000 Adjustment	2017 $'000 Restated
Cost of goods sold	(17,272)	(4,055)	(21,327)
Gain on acquisition	45,739	15,133	60,872
Expenses			
Selling and distribution expenses	(2,370)	2,370	-
Government royalties	(1,685)	1,685	-
Profit/(loss) before income tax benefit	(14,566)	15,133	567
Income tax benefit	19,603	2,075	21,678
Profit after income tax benefit for the year	5,037	17,208	22,245
Other comprehensive income			
Foreign currency translation	2,352	(475)	1,877
Other comprehensive income for the year, net of tax	2,352	(475)	1,877
Total comprehensive income for the year	7,389	16,733	24,122
Profit/(loss) for the year is attributable to:			
Non-controlling interest	(220)	-	(220)
Owners of TerraCom Limited	5,257	17,208	22,465
	5,037	17,208	22,245
Total comprehensive income for the year is attributable to:			
Non-controlling interest	(218)	-	(218)
Owners of TerraCom Limited	7,607	16,733	24,340
	7,389	16,733	24,122
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	2.00	6.55	8.47
Diluted earnings per share	1.86	6.08	7.87

Correction of prior period error - understatement of Exploration and Evaluation
There has been an adjustment of $3.747 million to the opening 2017 balances presented below, relating to the identification of an understatement of Exploration and Evaluation assets and overstatement of total comprehensive loss in 2016. The Group has elected to not present a third statement of financial position for 2016 as the Group considers it does not provide any additional relevant information to this financial report.

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
Extract	2017 $'000 Reported	$'000 Adjustment	2017 $'000 Restated
Assets			
Non-current assets			
Property, plant and equipment	177,199	20,936	198,135
Total non-current assets	303,912	20,936	324,848
Total assets	325,324	20,936	346,260
Liabilities			
Current liabilities			
Trade and other payables	38,523	(1,375)	37,148
Deferred revenue	-	1,375	1,375
Total current liabilities	68,097	-	68,097
Non-current liabilities			
Deferred tax	-	4,203	4,203
Total non-current liabilities	243,861	4,203	248,064
Total liabilities	311,958	4,203	316,161
Net assets	13,366	16,733	30,099
Equity			
Reserves	(27,419)	(477)	(27,896)
Accumulated losses	(175,337)	17,210	(158,127)
Total equity	13,366	16,733	30,099

Notes

The following notes to the financial statements have been restated accordingly:

- Note 8 - Income tax benefit
- Note 20 - Property, plant and equipment
- Note 21 - Exploration and evaluation
- Note 23 - Trade and other payables
- Note 31 - Deferred revenue
- Note 32 - Deferred tax liability
- Note 34 - Reserves
- Note 35 - Accumulated losses

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments distinguished into geographic units. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Note 4. Operating segments (continued)

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

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

Types of products and services
The principal products and services of each of these operating segments are as follows:

Australia	Coal exploration and extraction activities within Australia
Mongolia	Coal exploration and extraction activities within Mongolia

Major customers
During the year ended 30 June 2018 the consolidated entity's external revenue was derived from sales to the following customers:

	2018 $'000	2018 %	2017 $'000	2017 %
Major customers				
Noble Group	67,827	46.1%	-	-
Kingho Group	64,722	44.0%	22,202	98.7%
Other customers	14,592	9.9%	292	1.3%
	147,141		22,494	

Operating segment information

Note 4. Operating segments (continued)

Consolidated - 2018	Australia $'000	Mongolia $'000	Unallocated / Corporate $'000	Total $'000
Revenue				
Sales to external customers	82,419	64,722	-	147,141
Cost of goods sold	(51,597)	(54,733)	-	(106,330)
Gross Margin	30,822	9,989	-	40,811
Other operating and administration expenses	(3,409)	(2,955)	(7,097)	(13,461)
Exploration tenement write-off	(184)	-	-	(184)
Net foreign exchange gain / (loss)	-	-	1,403	1,403
Share of profits of associates	(14)	-	-	(14)
EBITDA	27,215	7,034	(5,694)	28,555
Depreciation and amortisation	(5,798)	(12,379)	-	(18,177)
Net finance expenses	-	-	(36,114)	(36,114)
Profit/(loss) before income tax benefit	21,417	(5,345)	(41,808)	(25,736)
Income tax benefit				6,601
Loss after income tax benefit				(19,135)
Assets				
Segment assets	248,885	160,434	10,256	419,575
Total assets				419,575
Total assets includes additions and acquisitions of non-current assets:				
Property, plant and equipment	28,713	18,912		47,625
Exploration and evaluation	93	2,264		2,357
	28,806	21,176	-	49,982
Liabilities				
Segment Liabilities	147,018	57,442	187,742	392,202
Total Liabilities				392,202

Note 4. Operating segments (continued)

Consolidated - Restated 2017	Australia $'000	Mongolia $'000	Unallocated / Corporate $'000	Total $'000
Revenue				
Sales to external customers	-	22,494	-	22,494
Cost of goods sold	-	(21,327)	-	(21,327)
Gross Margin	-	1,167	-	1,167
Gain on acquisition	60,872	-	-	60,872
Other operating and administration expenses	(3,625)	(4,387)	(12,724)	(20,736)
Exploration tenement write-off	(1,229)	(2,186)	-	(3,415)
Net foreign exchange gain / (loss)	-	-	59	59
Share of profits of associates	(9)	-	-	(9)
EBITDA	56,009	(5,406)	(12,665)	37,938
Depreciation and amortisation	(35)	(4,838)	-	(4,873)
Net finance expenses	-	-	(32,498)	(32,498)
Profit/(loss) before income tax benefit	55,974	(10,244)	(45,163)	567
Income tax benefit				21,678
Profit after income tax benefit				22,245
Assets				
Segment assets	205,117	141,143	-	346,260
Total assets				346,260
Total assets includes additions and acquisitions of non-current assets:				
Property, plant and equipment	92,293	5,478		97,771
Exploration and evaluation	141	194		335
	92,434	5,672	-	98,106
Liabilities				
Segment Liabilities	94,285	32,297	189,579	316,161
Total Liabilities				316,161

Geographical information

	Sales to external customers		Geographical non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Australia	82,419	-	221,840	196,708
Mongolia	64,722	22,494	151,543	128,140
	147,141	22,494	373,383	324,848

Note 4. Operating segments (continued)

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 5. Business combinations

Acquisition of Blair Athol Coal Mine

As disclosed in Note 8 of the 2017 Financial Statements, the Company reported a provisional gain on acquisition of $45.7 million with respect to the acquisition of the Blair Athol Coal Mine (Blair Athol) on 31 May 2017.

The Company has completed further analysis of the information available at acquisition date resulting in an increase in the JORC Reserves from 15.6 million tonnes to 18.0 million tonnes, as well as mine plan and production schedule changes resulting from the analysis of this information.

The Company has therefore reassessed the fair value of identifiable assets and liabilities of the Blair Athol Coal Mine as at the date of acquisition. The gain on acquisition has been increased to $60.9 million and the purchase price accounting is now final.

	Reported at 30 June 2017 US$'000	Final assessment US$'000	Reported at 30 June 2017 AU$'000	Final assessment AU$'000
Secured deposit - current	3,814	3,814	5,119	5,119
Secured deposit - non-current	55,561	55,561	74,579	74,579
Total secured deposit	59,375	59,375	79,698	79,698
Land	373	373	500	500
Motor vehicles	2,391	2,391	3,210	3,210
Dragline	2,235	2,235	3,000	3,000
Infrastructure	592	592	795	795
Mining lease/reserves	39,604	55,709	53,160	74,777
Total identifiable assets	45,195	61,300	60,665	82,282
Rehabilitation provision	(55,890)	(55,890)	(75,020)	(75,020)
Deferred tax liability	(14,604)	(19,436)	(19,603)	(26,088)
Net assets acquired	**34,076**	**45,350**	**45,740**	**60,872**
Gain on acquisition	**34,076**	**45,350**	**45,740**	**60,872**

Note 6. Financial expense

	Consolidated 2018 $'000	Consolidated 2017 $'000
Interest expense on interest bearing loans	27,517	24,551
Amortisation of bond	7,019	6,157
Other interest and finance expense	1,583	1,799
	36,119	32,507

Other interest and finance expense

Other interest and finance expense includes special interest amortisation and changes in amortised cost of financial instruments, refer to note 29 and 30.

Note 7. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its network firms:

	Consolidated 2018 $	Consolidated 2017 $
Audit services		
Audit or review of the financial statements	288,700	281,600
Other services		
Other assurance services	232,300	206,000
	521,000	487,600
Audit services - network firms		
Audit or review of the financial statements	97,263	-
Other services - network firms		
Preparation of the tax return (Singapore subsidiaries)	10,966	-
	108,229	-

Note 8. Income tax benefit

	Consolidated 2018 $'000	Consolidated 2017 $'000
Income tax expense/(benefit)		
Current tax	-	208
Adjustment relating to the origination and reversal of temporary differences	(6,587)	(21,886)
Adjustments to tax losses	(14)	-
Aggregate income tax benefit	(6,601)	(21,678)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 22)	(3,199)	(43,926)
Increase/(decrease) in deferred tax liabilities (note 32)	(3,388)	22,040
Adjustment relating to the origination and reversal of temporary differences	(6,587)	(21,886)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax benefit	(25,736)	567
Tax at the statutory tax rate of 30%	(7,721)	170
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable items	8,239	(4,238)
Deferred tax assets recognised	(7,754)	(19,603)
Deferred tax assets not recognised	419	425
Other	-	367
	(6,817)	(22,879)
Difference in overseas tax rates	216	1,201
Income tax benefit	(6,601)	(21,678)

	Consolidated 2018 $'000	Consolidated 2017 $'000
Amounts credited directly to equity		
Deferred tax assets (note 22)	(345)	-

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (Mongolia)	14,158	13,717
Tax losses (Australia)	-	7,754
Total deferred tax assets not recognised	14,158	21,471

Note 9. Current assets - Cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash on hand	2	1
Cash at bank	11,872	8,585
	11,874	8,586

Note 10. Non-current assets - Cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Restricted cash	2,000	-

The restricted cash of $2.0 million is held by the State Bank of India, Sydney Branch as required under the $15.0 million facility agreement. Please refer to Note 25 and 26 for more information regarding the facility agreement. The restricted cash currently bears an interest rate of 2.4% per annum.

Note 11. Current assets - Trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	11,609	4,175
Other receivables	3,715	984
	15,324	5,159

The other receivables includes Australian refundable Goods and Services Tax (GST) of $3.552 million.

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.

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $3,925,000 as at 30 June 2018 ($4,175,000 as at 30 June 2017).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018 $'000	2017 $'000
Over 6 months overdue	3,925	4,175

Note 12. Non-current assets - Trade and other receivables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Other receivables	8,026	4,767

Please refer to note 39 for the fair value disclosure of non-current other receivables.

The non-current other receivables includes Mongolian value added tax (VAT) which has been discounted to reflect its amortised cost at balance date.

Note 13. Current assets - Inventories

	Consolidated 2018 $'000	Consolidated 2017 $'000
Stock on hand	16,333	2,457

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

Note 14. Current assets - Secured deposit

	Consolidated 2018 $'000	Consolidated 2017 $'000
Secured deposit	2,449	5,119

Note 15. Non-current assets - Secured deposit

	Consolidated 2018 $'000	Consolidated 2017 $'000
Secured deposit	71,814	72,512

The secured deposit relates to the financial assurance held by the Queensland Government's Department of Environment and Science which was paid by Orion Mining Pty Limited for the Blair Athol Coal Mine's Environmental Authority EPML00876713.

The non-current secured deposit has been discounted to reflect its amortised cost at balance date.

Note 16. Current assets - Other current assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Prepayments	208	86
Other deposits	4	5
	212	91

Note 17. Non-current assets - Other non-current assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Other deposits	3,539	293

Other deposits includes $3,258,000 of refundable security deposits paid to Dalrymple Bay Coal Terminal and Aurizon Network in the 2018 financial year relating to the Train Load Out facility at Blair Athol Coal Mine.

Note 18. Non-current assets - Investments accounted for using the equity method

	Consolidated 2018 $'000	Consolidated 2017 $'000
Springsure Mining Pty Ltd	1,363	1,377

Refer to note 19 for further information on interests in associates.

Note 19. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Springsure Mining Pty Limited	Queensland / Australia	35.78%	35.78%

Note 19. Interests in associates (continued)

Summarised financial information

	Springsure Mining Pty Limited	
	2018	2017
	$'000	$'000
Summarised statement of financial position		
Current assets	58	1
Non-current assets	3,764	3,853
Total assets	3,822	3,854
Current liabilities	13	5
Total liabilities	13	5
Net assets	3,809	3,849
Summarised statement of comprehensive income		
Expenses	(38)	(26)
Loss before income tax	(38)	(26)
Other comprehensive income	-	-
Total comprehensive income	(38)	(26)
Reconciliation of the consolidated entity's carrying amount		
Opening carrying amount	1,377	1,386
Share of loss after income tax	(14)	(9)
Closing carrying amount	1,363	1,377

Commitments

	Consolidated	
	2018	2017
	$'000	$'000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	759	237
One to five years	1,255	27
Total	2,014	264

Note 20. Non-current assets - Property, plant and equipment

	Consolidated 2018 $'000	Consolidated 2017 $'000
Land and buildings - at cost	5,913	648
Less: Accumulated depreciation	-	(137)
	5,913	511
Plant and equipment - at cost	18,854	14,448
Less: Accumulated depreciation	(2,585)	(1,545)
	16,269	12,903
Capital works in progress	80	12,263
Mine development - at cost	261,098	195,550
Less: Accumulated amortisaton	(24,751)	(7,615)
Less: Impairment	(15,477)	(15,477)
	220,870	172,458
	243,132	198,135

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

Consolidated	Capital works in progress $'000	Land and buildings $'000	Plant and equipment $'000	Mine development $'000	Total $'000
Balance at 1 July 2016	12,436	39	4,495	98,227	115,197
Additions	94	-	9,271	6,919	16,284
Additions through business combinations (note 5)	-	500	6,210	75,572	82,282
Disposals	-	-	(6,271)	-	(6,271)
Exchange differences	(267)	(17)	(342)	(5,626)	(6,252)
Transfers in/(out)	-	-	-	1,768	1,768
Depreciation and amortisation expense	-	(11)	(460)	(4,402)	(4,873)
Balance at 30 June 2017	12,263	511	12,903	172,458	198,135
Additions	69	5,409	2,928	39,219	47,625
Exchange differences	(39)	20	667	5,937	6,585
Transfers in/(out)	(12,213)	(27)	812	20,392	8,964
Depreciation and amortisation expense	-	-	(1,041)	(17,136)	(18,177)
Balance at 30 June 2018	80	5,913	16,269	220,870	243,132

Property, plant and equipment secured under finance leases
Refer to note 42 for further information on property, plant and equipment secured under finance leases.

Note 21. Non-current assets - Exploration and evaluation

	Consolidated 2018 $'000	Consolidated 2017 $'000
Exploration and evaluation - at cost	106,615	113,600
Less: Impairment	(65,836)	(65,836)
	40,779	47,764

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

Consolidated	$'000	Total $'000
Balance at 1 July 2016	53,099	53,099
Additions	335	335
Exchange differences	(487)	(487)
Write off of assets	(3,415)	(3,415)
Transfers in/(out)	(1,768)	(1,768)
Balance at 30 June 2017	47,764	47,764
Additions	2,357	2,357
Exchange differences	(194)	(194)
Write off of assets	(184)	(184)
Transfers in/(out)	(8,964)	(8,964)
Balance at 30 June 2018	40,779	40,779

Impairment

At each reporting period, the Company assesses whether there are indicators of impairment or impairment reversal with respect to its mining assets. When indicators of impairment or impairment reversal are identified, impairment testing is performed to determine their recoverable amount. If the carrying value of the assets exceeds this recoverable amount, an impairment loss is charged to the Statement of Comprehensive Income with a corresponding reduction in the asset value. If the recoverable amount exceeds the carrying value for an asset which was previously impaired a partial or full reversal is recorded.

Mining Assets

The South Gobi mining and exploration assets are considered one cash generating unit (CGU) for the purposes of impairment testing. Recoverable amount has been determined based on an Independent Technical Specialist's Report (ITSR) prepared by Xenith Consulting Pty Ltd. The valuations were determined on both a market multiple and on a discounted cash flow basis, at a discount rate the Company would expect a market participant to apply to such cash flows. In the current period there has been no impairment or impairment reversal recorded.

Note 21. Non-current assets - Exploration and evaluation (continued)

Exploration Assets

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The CGUs of the exploration assets are determined on a geographical basis, with the Australian exploration assets and Mid Gobi exploration assets being considered separate CGUs. The South Gobi exploration assets form part of the South Gobi mining CGU described above.

The Company is focussed on developing two priority projects in Australia, being the large thermal coal Northern Galilee Project and the high energy prime thermal coal Springsure Project. As a consequence during the previous financial year the Company wrote off some of its early stage exploration projects that are not imminent, although they are still prospective.

Note 21. Non-current assets - Exploration and evaluation (continued)

Tenement number	Location	2018 %	2017 %
1250	Charters Towers, Queensland Australia	100.00%	100.00%
1260	Charters Towers, Queensland Australia	100.00%	100.00%
1300	Charters Towers, Queensland Australia	100.00%	100.00%
1394	Charters Towers, Queensland Australia	100.00%	100.00%
1477	Charters Towers, Queensland Australia	100.00%	100.00%
1478	Charters Towers, Queensland Australia	100.00%	100.00%
1479	Charters Towers, Queensland Australia	100.00%	100.00%
1480 (1)	Charters Towers, Queensland Australia	-	100.00%
1574 (1)	Charters Towers, Queensland Australia	-	100.00%
1674	Emerald, Queensland Australia	35.78%	35.78%
MDL 3002	Emerald, Queensland Australia	35.78%	35.78%
1822	Rockhampton, Queensland Australia	100.00%	100.00%
1872	Rockhampton, Queensland Australia	100.00%	100.00%
1890	Rockhampton, Queensland Australia	100.00%	100.00%
1892	Rockhampton, Queensland Australia	100.00%	100.00%
1893 (1)	Rockhampton, Queensland Australia	-	100.00%
1962	Rockhampton, Queensland Australia	100.00%	100.00%
1963 (1)	Rockhampton, Queensland Australia	-	100.00%
1964	Rockhampton, Queensland Australia	100.00%	100.00%
2047	Mount Isa, Queensland Australia	100.00%	100.00%
2049	Charters Towers, Queensland Australia	100.00%	100.00%
2105	Charters Towers, Queensland Australia	100.00%	100.00%
2256	Emerald, Queensland Australia	100.00%	100.00%
2503 (1)	Charters Towers, Queensland Australia	-	100.00%
2504 (1)	Charters Towers, Queensland Australia	-	100.00%
1103	Emerald, Queensland Australia	100.00%	-
ML1804	Blair Athol, Queensland Australia	100.00%	100.00%
XV-12929	Mid Gobi, Mongolia	100.00%	100.00%
MV-020800	South Gobi, Mongolia	100.00%	100.00%
MV-19149	South Gobi, Mongolia	100.00%	100.00%
XV-12600	South Gobi, Mongolia	100.00%	100.00%
MV-16971	South Gobi, Mongolia	83.87%	83.87%
MV-17162	South Gobi, Mongolia	100.00%	100.00%
XV-17163	South Gobi, Mongolia	100.00%	100.00%
MV-020803	South Gobi, Mongolia	100.00%	100.00%
XV-18111	South Gobi, Mongolia	100.00%	100.00%
XV-18513	South Gobi, Mongolia	100.00%	100.00%
XV-20268	South Gobi, Mongolia	100.00%	100.00%
XV-18142	Uvs, Mongolia	100.00%	100.00%
XV-18797	Uvs, Mongolia	100.00%	100.00%
XV-18802	Uvs, Mongolia	100.00%	100.00%
XV-202281	Uvs, Mongolia	100.00%	100.00%
XV-20539	Uvs, Mongolia	100.00%	100.00%
XV-20139	East Gobi, Mongolia	100.00%	100.00%
XV-20329	East Gobi, Mongolia	100.00%	100.00%

(1) These tenements were relinquished during the period and any carrying costs were written off.

Note 22. Non-current assets - deferred tax

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	30,555	31,969
Provision	22,095	22,506
Accrued expenses	374	-
Borrowings	3,605	-
Borrowing costs	543	-
Other	502	-
Offset of deferred tax liability (note 32)	(55,289)	(54,475)
	2,385	-
Amounts recognised in equity:		
Transaction costs on share issue	345	-
Deferred tax asset	2,730	-
Movements:		
Opening balance	54,475	10,549
Credited to profit or loss (note 8)	3,199	43,926
Credited to equity (note 8)	345	-
Closing balance	58,019	54,475

Note 23. Current liabilities - Trade and other payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Trade payables and other payables	75,044	37,148

Refer to note 38 for further information on financial instruments.

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

Note 24. Non-current liabilities - Trade and other payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Trade payables	5,294	5,570

Refer to note 38 for further information on financial instruments.

The fair value of non-current trade and other payables is estimated by discounting future cash flows using rates currently available for payables on similar terms

Note 25. Current liabilities - Borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000
Super senior note facility A	10,147	15,601
Working capital facilities	1,015	2,925
Fuel exclusivity facility	402	2,046
Finance costs accrued	1,627	3,759
Dragline facility	2,479	1,138
Finance leases	5,291	2,939
State Bank of India facility	1,680	-
	22,641	28,408

Refer to note 38 for further information on financial instruments.

The borrowings and facilities of the group, with the exception of the Dragline facility, Finance leases and State Bank of India, are denominated in USD and are subject to translation at the reporting date. The table below outlines the borrowings expressed in USD.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current Borrowings expressed in USD		
Super senior note facility A	7,500	12,000
Working capital facilities	750	2,250
Fuel exclusivity facility	297	1,574
Finance costs accrued	1,202	2,892
Dragline facility	1,832	875
Finance leases	3,911	2,260
State Bank of India facility	1,242	-
Total	16,734	21,851

Note 26. Non-current liabilities - Borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000
Listed (Euroclear) Bond	161,388	134,637
Super senior note facility B	4,228	6,500
Working capital facilities	12,177	7,800
Dragline facility	362	1,862
Finance leases	550	3,271
Non-interest bearing loan	4,042	3,900
State Bank of India facility	13,320	-
	196,067	157,970

Refer to note 38 for further information on financial instruments.

The borrowings and facilities of the group, with the exception of the Dragline facility, Finance leases and State Bank of India, are denominated in USD and are subject to translation at the reporting date. The table below outlines the borrowings expressed in USD.

Note 26. Non-current liabilities - Borrowings (continued)

	Consolidated 2018 $'000	Consolidated 2017 $'000
Non-Current Borrowings expressed in USD		
Listed (Euroclear) Bond	119,282	103,563
Super senior note facility B	3,125	5,000
Working capital facilities	9,000	6,000
Dragline facility	267	1,433
Finance leases	406	2,516
Non-interest bearing loan	3,000	3,000
State Bank of India facility	9,845	-
	144,925	121,512

	Euroclear Bond $'000	Super Senior Note A $'000	Super Senior Note B $'000	Working Capital facilities $'000	Non-interest bearing loan $'000	Fuel exclusivity facility $'000	Dragline facility $'000	Finance leases $'000	State Bank of India $'000	Finance costs accrued $'000	Total $'000
Opening Balance 1 July 2017	134,637	15,601	6,500	10,725	3,900	2,046	3,000	6,210	-	3,759	186,378
Cash Transactions											
Drawdowns	-	-	-	3,868	-	-	900	1,500	15,000	-	21,268
Repayments	-	(5,775)	-	(1,920)	-	-	(1,059)	(1,869)	-	(19,111)	(29,734)
Net cash	-	(5,775)	-	1,948	-	-	(159)	(369)	15,000	(19,111)	(8,466)
Non-Cash Transactions											
Interest accrued	-	-	-	-	-	-	-	-	-	27,517	27,517
Repayments	-	-	-	-	-	(1,640)	-	-	-	-	(1,640)
Amortisation of Bond	7,019	-	-	-	-	-	-	-	-	-	7,019
Net non-cash	7,019	-	-	-	-	(1,640)	-	-	-	27,517	32,896
Conversion between facilities	13,483	-	(2,406)	-	-	-	-	-	-	(11,077)	-
Effects of foreign exchange	6,249	321	134	519	142	(4)	-	-	-	539	7,900
Closing Balance 30 June 2018	**161,388**	**10,147**	**4,228**	**13,192**	**4,042**	**402**	**2,841**	**5,841**	**15,000**	**1,627**	**218,708**
Current (note 25)	-	10,147	-	1,015	-	402	2,479	5,291	1,680	1,627	22,641
Non-current (note 26)	161,388	-	4,228	12,177	4,042	-	362	550	13,320	-	196,067
	161,388	**10,147**	**4,228**	**13,192**	**4,042**	**402**	**2,841**	**5,841**	**15,000**	**1,627**	**218,708**

	Euroclear Bond $'000	Super Senior Note A $'000	Super Senior Note B $'000	Working Capital facilities $'000	Non-interest bearing loan $'000	Fuel exclusivity facility $'000	Dragline facility $'000	Finance leases $'000	State Bank of India $'000	Finance costs accrued $'000	Total $'000
Opening Balance 1 July 2016	122,742	16,159	6,733	-	4,073	11,450	-	-	-	49	161,206
Cash Transactions											
Drawdowns	-	-	-	11,928	-	-	3,000	-	-	-	14,928
Repayments	-	-	-	(998)	-	-	-	-	-	(10,404)	(11,402)
Net cash	-	-	-	10,930	-	-	3,000	-	-	(10,404)	3,526
Non-Cash Transactions											
Interest accrued	-	-	-	-	-	-	-	-	-	24,551	24,551
Drawdowns	-	-	-	-	-	-	-	6,210	-	-	6,210
Repayments	-	-	-	-	-	(9,308)	-	-	-	-	(9,308)
Amortisation of Bond	6,157	-	-	-	-	-	-	-	-	-	6,157
Net non-cash	6,157	-	-	-	-	(9,308)	-	6,210	-	24,551	27,610
Conversion between facilities	10,075	-	-	-	-	-	-	-	-	(10,075)	-
Effects of foreign exchange	(4,337)	(558)	(233)	(205)	(173)	(96)	-	-	-	(362)	(5,964)
Closing Balance 30 June 2017	**134,637**	**15,601**	**6,500**	**10,725**	**3,900**	**2,046**	**3,000**	**6,210**	**-**	**3,759**	**186,378**
Current (note 25)	-	15,601	-	2,925	-	2,046	1,138	2,939	-	3,759	28,408
Non-current (note 26)	134,637	-	6,500	7,800	3,900	-	1,862	3,271	-	-	157,970
	134,637	**15,601**	**6,500**	**10,725**	**3,900**	**2,046**	**3,000**	**6,210**	**-**	**3,759**	**186,378**

Note 26. Non-current liabilities - Borrowings (continued)

Listed (Euroclear) Bond, Super Senior Note A and Super Senior Note B

On 30 June 2016, the Company entered into 3 new facilities (Listed Bond, Super Senior Note A and Super Senior Note B). The proceeds from these facilities were used to extinguish the Company's existing facilities except for the Fuel Exclusivity and non-interest bearing loan acquired as part of the acquisition of Enkhtunkh Orchlon LLC.

Super Senior Note A

The Super Senior Note A facility was fully drawn down on 30 June 2018 for the amount of US$7.5 million. The facility bears an interest rate of 15% per annum with interest payable on the principal repayment dates. Subsequent to year end on 9 August the Company repaid this facility and accrued interest in full.

Super Senior Note B

The Super Senior Note B facility was fully drawn down on 30 June 2018 for the amount of US$3.125 million. The facility bears an interest rate of 15% per annum with interest payable on the principal conversion dates. In accordance with the terms of the agreement the Company can convert the principal into Listed (Euroclear) bonds upon repayment of the Super Senior Note A. Accordingly in February 2018 the Company converted US$1.875 million of this facility into the Listed (Euroclear) bonds. Subsequent to year end on 9 August 2018 the Company converted the balance of US$3.125 million into the Listed (Euroclear) Bond facility and repaid all accrued interest in full.

Listed (Euroclear) Bond

The Listed (Euroclear) Bond was fully drawn down on 30 June 2018 for the amount of US$97 million (purchase price of the bonds) and an initial redemption value of US$124 million. The facility bears a cash interest rate of 12.5% per annum, payable 6 monthly in arrears. In accordance with the deed, the Company can elect to pay in kind (PIK) 50% of the interest repayments which are added to the redemption value of the bonds.

The maturity date of the facility is 30 June 2021 at which point the redemption value as calculated on 30 June 2018 is US$142.03 million. The value uplift applied between the initial redemption value and purchase price, along with the interest, implies an annual cumulative interest rate of 21.09%.

This facility includes a special interest component which has been treated as a separate non-derivative financial liability (refer notes 29 and 30). This instrument, which represents an incremental cost that is directly attributable to the issue of the bond, has been treated as a transaction cost and offset against the fair value on initial recognition.

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.

Working capital facilities

On 13 September 2016, the Company entered into a Blair Athol Prepayment Facility Agreement with Noble Resources International Pte Limited (Noble) for US$12 million. On 30 June 2018 the Blair Athol Prepayment Facility Agreement was fully drawn for the amount of US$9.75 million after principal repayments totalling US$2.25 million, of which US$1.50 million was paid in the current period.

Interest is incurred at a rate of 9% per annum on the facility.

Facility A will be fully paid by 30 November 2018.

Facility B has a final repayment date of 5 years from the initial drawdown date of the facility, being 23 May 2022. No principal repayments have been made on this facility.

Note 26. Non-current liabilities - Borrowings (continued)

Fuel exclusivity agreement:

On 14 November 2013, the Company entered into a Fuel Exclusivity agreement with Noble for US$8 million. On 27 June 2017 the Group and Noble agreed on a debt to equity swap to convert US$7.2 million of the Fuel Facility into 298,311,234 (post share consolidation 29,831,124) fully paid ordinary shares of TerraCom Limited (no gain or loss was recorded on the conversion of debt to equity). At that time the carrying value of the Fuel Facility, including accrued interest, was US$8.7 million.

On 4 February 2018, as part of the rights issue completed by the Company, the Group and Noble agreed on a debt to equity swap to convert US$1.174 million of the Fuel Facility into 6,884,106 fully paid ordinary shares of TerraCom Limited.

On 26 March 2018, the Group and Noble agreed on a debt to equity swap to convert US$0.103 million of the Fuel Facility into 616,000 fully paid ordinary shares of TerraCom Limited.

The balance of the facility of $0.297 million is expected be paid on 30 September 2018.

Interest is incurred at a rate of 12.5% per annum payable on 30 September 2018.

Non-Interest bearing loan

This amount relates to US$3 million due by the Group to Noble and is payable by the wholly owned subsidiary Enkhtunkh Orchlon LLC. This amount is due for repayment on 1 October 2020. The Share Sale Agreement also included up to US$4 million to be advanced by Noble to the Group for furtherance of the business.

Dragline facility

Upon completion of the Blair Athol Coal Mine acquisition the Group met the conditions precedent which triggered a $3 million drawdown of the loan with a related party of Link Mining Services Pty Limited. On 29 August 2017 the Company drew down a further $900,000 for the commissioning of the Dragline located at Blair Athol Coal Mine. The total facility is for $3.9 million.

As at 30 June 2018 the facility was fully drawn for $2.841 million after $1.059 million of principal repayments.

The facility is for 26 months from commencement date, currently bears an interest rate of 12% per annum with an expiry date of August 2019.

Finance leases

CHPP

Upon completion of the Blair Athol Coal Mine acquisition the Group met the conditions precedent for the acquisition of the onsite CHPP from Sedgman Pty Ltd for $3 million. The acquisition of the CHPP has been funded by Link Mining Services Pty Ltd. During the period the Company drew down $0.5 million for the upgrade and $1 million for the commissioning of the CHPP located at the Blair Athol Coal Mine. The total finance lease is for $4.5 million.

The transaction is a sale and leaseback arrangement whereby at the end of the term the Company has the option to acquire the CHPP from Link Mining Services Pty Ltd for $1. The residual value of the CHPP at the end of the lease period is assessed to be nil. On this basis the Company has determined the arrangement to constitute a finance lease.

As at 30 June 2018 the facility was fully drawn for $3.629 million after $0.871 million of principal repayments.

The facility is for 28 months from commencement date, currently bears an interest rate of 12% per annum with an expiry date of October 2019.

Note 26. Non-current liabilities - Borrowings (continued)

Mobile Equipment

Upon completion of the Blair Athol Coal Mine acquisition the Group met the conditions precedent which triggered a $3.210 million drawdown of a facility with Link Mining Services Pty Ltd. The total finance lease is for $3.210 million.

The transaction is a sale and leaseback arrangement whereby at the end of the term the Company has the option to extend the lease period by a further period linked to the mining and rehabilitation contract with Link Mining Services Pty Ltd for a payment of $1. At the end of the term the Company has the option to purchase the equipment at market value. The Group has assessed the market value of the equipment at the end of the term will have a negligible value.

As at 30 June 2018 the facility was fully drawn for $2.212 million after $0.998 million of principal repayments.

The facility is for 25 months from commencement date, currently bears an interest rate of 12% per annum with an expiry date of July 2019.

State Bank of India

As announced on 7 June 2018, the State Bank of India, Sydney Branch (SBI) and Orion Mining Pty Limited (a wholly owned subsidiary of TerraCom Limited) entered into a facility agreement for $15 million. The proceeds were used to complete the acquisition of 41 properties in Clermont and the balance for working capital including the completion of the Blair Athol Train Load Out facility.

Monthly principal repayments of $240k commence in December 2018 until November 2021. The monthly principal repayments will then change to $370k from December 2021 to April 2023. A final principal of $70k will be made in May 2023.

The facility is for 60 months from commencement date, currently bears an interest rate of 1 month BBSW plus a margin of 5.75%. The BBSW rate for June 2018 was 1.9996%.

Under the agreement the Company is required maintain a Term Deposit with SBI. The term deposit currently bears an interest rate of 2.4% per annum. The balance of the term deposit as at 30 June 2018 was $2.0 million and is included in Cash and equivalents (Note 10).

Note 27. Current liabilities - Provisions

	Consolidated	
	2018 $'000	2017 $'000
Annual leave	347	436

Note 28. Non-current liabilities - Provisions

	Consolidated	
	2018 $'000	2017 $'000
Environmental	74,165	75,775

Environmental
Rehabilitation expenditure is expected to occur over the life of the mining operations and subsequent to the cessation of mining operations (7-15 years).

Note 28. Non-current liabilities - Provisions (continued)

Movements in provisions
Movements in each class of provision (current and non-current) during the current financial year are set out below:

Consolidated - 2018	Employee Entitlements $'000	Mine rehabilitation and closure $'000	Total $'000
Carrying amount at the start of the year	436	75,775	76,211
Additional provisions recognised	216	111	327
Amounts used	(311)	(1,627)	(1,938)
Exchange differences	6	(94)	(88)
Carrying amount at the end of the year	347	74,165	74,512

Note 29. Current liabilities - Financial liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Special interest liability	1,805	730

Note 30. Non-current liabilities - Financial liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Special interest liability	3,808	4,546

The above Special Interest Liability is part of the Listed (Euroclear) Bond which is denominated in USD and is subject to translation at every reporting date, refer to Note 25 and 26.

In connection with the issuance of the Listed (Euroclear) Bond, a special interest instrument was granted to the bond holders. This instrument requires the Company to pay a non-refundable payment equal to 0.75% to 1.75% of mine gate revenues for the duration of the bond (5 years). The key terms include:

- Special interest is payable at a rate of 1.75% of mine gate revenue until the Company acquired the Blair Athol Coal Mine in Queensland
- As the Blair Athol Coal Mine was acquired during the prior period, the special interest rate has decreased to 0.75% of total mine gate revenue generated by the Company globally
- The special interest is payable on 30 June 2017 and every 6 months subsequent, up to the maturity date of the Bonds (30 June 2021).

This special interest has been treated as a cost of issuing the Listed (Euroclear) bond and is being amortised over the life of the bond. The special interest has been offset against the carrying value of the debt in notes 25 and 26.

Note 31. Current liabilities - Deferred revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred revenue	13,031	1,375

Due to the short term nature, the deferred revenue has a carrying value which approximates their fair value.

Deferred revenue is recognised when a customer pays consideration before the consolidated entity has transferred the goods or services to the customer. The liability is the consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

Note 32. Non-current liabilities - deferred tax

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	24,465	24,478
Exploration and evaluation	8,545	10,291
Secured deposits	22,279	23,909
Offset of deferred tax asset (note 22)	(55,289)	(54,475)
Deferred tax liability	-	4,203
Movements:		
Opening balance	58,677	10,549
Charged/(credited) to profit or loss (note 8)	(3,388)	22,040
Additions through business combinations (note 5)	-	26,088
Closing balance	55,289	58,677

Note 33. Equity - Issued capital

	Consolidated 2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares - fully paid	377,835,413	3,013,244,790	227,804	212,062

Note 33. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2016	2,400,931,258		195,276
Ordinary shares issued at a placement issue price of $0.0166 per share	9 August 2016	80,849,502	$0.0166	1,342
Ordinary shares issued at a placement issue price of $0.0206469 per share	6 September 2016	55,407,834	$0.0206	1,144
Ordinary shares issued at a placement issue price of $0.0215 per share	6 September 2016	44,411,629	$0.0215	955
Ordinary shares issued at a placement issue price of $0.03 per share	14 December 2016	133,333,333	$0.0300	4,000
Ordinary shares issued from a debt to equity swap at an issue price of $0.032	30 June 2017	298,311,234	$0.0320	9,546
Share issuance expenses		-	$0.0000	(201)
Balance	30 June 2017	3,013,244,790		212,062
Ordinary share capital consolidation (10:1 basis)	14 December 2017	(2,711,919,957)	$0.0000	-
Ordinary shares issued to Wallace King as a share-based payment at an issue price of $0.2575 per share	29 December 2017	776,698	$0.2575	200
Ordinary shares issued under the pro rata accelerated non renounceable entitlement offer at an issue price of $0.215 per share	5 February 2018	14,377,559	$0.2150	3,091
Ordinary shares issued under the pro rata accelerated non renounceable entitlement offer at an issue price of $0.215 per share	16 February 2018	59,990,323	$0.2150	12,898
Ordinary shares issued from a debt to equity swap at an issue price of $0.215 per share	23 March 2018	616,000	$0.2150	132
Ordinary shares issued on the exercise of options at an issue price of $0.30 per share	7 June 2018	750,000	$0.3000	225
Share issuance expenses (net of tax)		-	$0.0000	(804)
Balance	30 June 2018	377,835,413		227,804

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.

On 4 September 2017 the company announced that the Board of Directors unanimously approved a consolidation of ordinary shares on a 10:1 basis. The consolidation of ordinary shares was completed on 14 December 2017.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 33. Equity - Issued capital (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity 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 consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2017 Annual Report.

Note 34. Equity - Reserves

	Consolidated 2018 $'000	Consolidated 2017 $'000
Foreign currency translation reserve	(1,639)	(2,264)
Share-based payments reserve	11,130	11,053
Acquisition reserve	(36,685)	(36,685)
	(27,194)	(27,896)

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

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

Acquisition reserve
Acquisition reserve records the difference between consideration paid and the proportionate book value of the non-controlling interest acquired by the Company.

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

Consolidated	Foreign currency reserve $'000	Share-based payments reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2016	(4,139)	7,959	(36,685)	(32,865)
Foreign currency translation	1,875	-	-	1,875
Share-based payments expense during the year	-	3,094	-	3,094
Balance at 30 June 2017	(2,264)	11,053	(36,685)	(27,896)
Foreign currency translation	625	-	-	625
Share-based payments expense during the year	-	77	-	77
Balance at 30 June 2018	(1,639)	11,130	(36,685)	(27,194)

Note 35. Equity - Accumulated losses

	Consolidated 2018 $'000	Consolidated 2017 $'000
Accumulated losses at the beginning of the financial year	(158,127)	(180,592)
Profit/(loss) after income tax benefit for the year	(18,399)	22,465
Accumulated losses at the end of the financial year	(176,526)	(158,127)

Note 36. Equity - Non-controlling interest

	Consolidated 2018 $'000	Consolidated 2017 $'000
Non-controlling interest	3,289	4,060

Note 37. Equity - Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 38. Financial instruments

Financial risk management objectives

The consolidated entity'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 consolidated entity'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 consolidated entity.

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 consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Financial assets - loans and receivables		
Cash and cash equivalents	13,874	8,586
Trade and other receivables	23,350	9,926
Secured deposit	74,263	77,631
Other assets	3,751	384
	115,238	96,527
Financial liabilities - amortised cost		
Trade and other payables	80,338	42,718
Deferred revenue	13,031	1,375
Borrowings	218,708	186,378
Other financial liabilities	5,613	5,276
	317,690	235,747

Market risk

Foreign currency risk

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

Note 38. Financial instruments (continued)

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

The United States Dollar (USD) is the functional currency of the group except for the Australian exploration subsidiaries. As a result, currency exposure exists arising from the transaction and balances in currencies other than USD (Australian Dollars and Mongolian Tugrik to USD). On 1 July 2016 the Group changed the functional currency of the operating entities (Orion Mining Pty Limited from 31 May 2017) within the Group which has de-risked the Group from foreign currency risk with respect to coal sales. The Group still has an exposure with respect to purchases not denominated or determined by USD – as at reporting date the Group operates in Australia and Mongolia and therefore has determined its two largest currency risk exposures are to the Australian Dollar (AUD) and Mongolia Tugrik (MNT). The Group closely monitors its foreign exchange risk in Australia and Mongolia to ensure it is at an acceptable level of risk.

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

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

	USD strengthened			USD weakened		
Consolidated - 2018	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Cash & cash equivalents	1%	24,376	(24,376)	(1%)	(24,868)	24,868
Trade debtors	1%	3,330	(3,330)	(1%)	(3,397)	3,397
Secured deposit	1%	735,272	(735,272)	(1%)	(750,126)	750,126
Accounts payable	1%	(432,575)	432,575	(1%)	441,314	(441,314)
Borrowings	1%	(234,471)	234,471	(1%)	93,030	(93,030)
		95,932	(95,932)		(244,047)	244,047

	USD strengthened			USD weakened		
Consolidated - 2017	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Cash & cash equivalents	1%	69,984	(69,984)	(1%)	(71,398)	71,398
Trade debtors	1%	135	(135)	(1%)	(137)	137
Secured deposit	1%	768,623	(768,623)	(1%)	(784,150)	784,150
Accounts payable	1%	(203,983)	203,983	(1%)	208,104	(208,104)
Borrowings	1%	(91,188)	91,188	(1%)	93,030	(93,030)
		543,571	(543,571)		(554,551)	554,551

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 their low in January 2016. There is still uncertainty in the market and the cost to implement an effective hedging strategy to manage the commodity price risk is quite substantial compared to the hedging prices available make this strategy ineffective. On this basis the Group has decided to not implement strategies to reduce its exposure to downside in prices. As commodity prices stabilise and market uncertainty is reduced the Group will consider strategies to manage this risk.

Note 38. Financial instruments (continued)

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

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

	2018		2017	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
State Bank of India	7.17%	15,000	-	-
Net exposure to cash flow interest rate risk		15,000		-

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

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity 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 statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

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

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

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

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity 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.

Note 38. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity'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.

Consolidated - 2018	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	75,044	5,294	-	80,338
Provisions	7,648	11,488	58,152	77,288
Interest-bearing - fixed rate				
Borrowings (excluding finance lease)	17,350	195,517	-	212,867
Finance lease	5,291	998	-	6,289
Other financial liabilities	1,805	3,808	-	5,613
Total non-derivatives	107,138	217,105	58,152	382,395

Consolidated - 2017	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives				
Non-interest bearing				
Trade payables	37,148	5,570	-	42,718
Provisions	3,542	13,651	58,987	76,180
Interest-bearing - fixed rate				
Borrowings (excluding finance lease)	25,469	154,699	-	180,168
Finance lease	2,939	3,271	-	6,210
Other financial liabilities	730	4,546	-	5,276
Total non-derivatives	69,828	181,737	58,987	310,552

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. Interest is not included in the above amounts.

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

Note 39. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Trade and other receivables (Note 11 and 12)	-	15,324	8,026	23,350
Secured deposit (Note 14 and 15)	-	74,263	-	74,263
Other assets (Note 16 and 17)	-	3,751	-	3,751
Total assets	-	93,338	8,026	101,364
Liabilities				
Trade and other payables (Note 23 and 24)	-	80,338	-	80,338
Borrowings (Note 25 and 26)	-	220,099	-	220,099
Special interest liability (Note 29 and 30)	-	-	5,613	5,613
Total liabilities	-	300,437	5,613	306,050

Consolidated - 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Trade and other receivables (Note 11 and 12)	-	5,159	4,767	9,926
Secured deposit (Note 14 and 15)	-	77,631	-	77,631
Other assets (Note 16 and 17)	-	384	-	384
Total assets	-	83,174	4,767	87,941
Liabilities				
Trade and other payables (Note 23 and 24)	-	42,718	-	42,718
Borrowings (Note 25 and 26)	-	176,615	-	176,615
Special interest liability (Note 29 and 30)	-	-	5,276	5,276
Total liabilities	-	219,333	5,276	224,609

There were no transfers between levels during the financial year.

Trade and other receivables

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Non-current trade and other receivables are measured at amortised cost. The fair value of these receivables is determined by discounting the future expected payments using an appropriate discount rate. Maturities of these amounts are not fixed, and determined upon meeting certain milestones (such as generating revenues to recover VAT receivables), and operational outcomes which have been estimated by management.

Secured deposits

The carrying value of secured deposit approximates its fair value given the short-term nature of the asset.

Other assets

Note 39. Fair value measurement (continued)

The carrying value of current other assets approximates its fair value given the short-term nature of the asset. Non-current other assets are measured at amortised cost. The fair value of these assets is determined by discounting the future expected payments using an appropriate discount rate. These asset fair values are assumed at their carrying value as they represent cash held on deposit with no fixed maturity.

Trade and other payables

The carrying value of current trade and other payables approximates its fair value given the short-term nature of the liability. The fair value of non-current trade and other payables is estimated by discounting future cash flows using rates currently available for debt on similar terms.

Deferred revenue

The carrying value of deferred revenue approximates its fair value given the short-term nature of the liability.

Borrowings

The fair value of Listed Bond, Super Senior Note A and Super Senior Note B are measured at amortised cost. There has not been a significant change in fair value since the issuance date on 30 June 2016 as the liability is carried at amortised cost and the effective interest rate used to discount future principal and interest cash flows has not changed significantly from the market rate on issuance.

The Non-interest bearing loan was acquired by the Group during the acquisition of Enkhtunkh Orchlon LLC on 1 October 2015 and has been fair valued as at the date of acquisition. As the loan is interest free the fair value has been calculated using a market rate of interest at 30 June 2018.

The fair value of the Fuel Exclusivity Facility approximates its carrying value at 30 June 2018 due to its short-term nature.

The fair value of the dragline facility approximates its carrying value at 30 June 2018 due to its short term nature.

Special interest liabilities

The fair value of special interest liability is determined by applying a present value income approach to the estimated mine gate revenues projected over the duration of the instrument, multiplied by the special interest rate and discounted using an appropriate discount rate.

Note 40. Key management personnel disclosures

Directors
The following persons were directors of TerraCom Limited during the financial year:

Mr Wallace (Wal) King AO	Non-Executive Chairman, Independent Director (Appointed 1 September 2017) Non-Executive, Independent Director (Ceased 31 August 2017)
The Hon. Craig Wallace	Non-Executive Deputy Chairman, Independent Director
Mr Michael Avery	Executive Director; and Vice President - Corporate Development
Mr Tsogt Togoo	Non-Executive, Independent Director
Mr Philip Forrest	Non-Executive, Independent Director
Mr James (Jim) Soorley	Non-Executive, Independent Director
Mr Matthew Hunter	Non-Executive Director (Appointed 18 January 2018)
Mr Paul Anderson	Non-Executive Director (Appointed 16 May 2018)
Mr Cameron McRae	Non-Executive Director (Resigned 21 November 2017)
Mr David Stone	Executive Director and Vice President of Operations (Resigned 31 August 2017)

Note 40. Key management personnel disclosures (continued)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Nathan Boom	Company Secretary; and Chief Financial Officer

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

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	1,623,536	2,476,861
Post-employment benefits	81,809	104,030
Share-based payments	200,000	2,712,793
	1,905,345	5,293,684

Note 41. Contingent liabilities

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

FTB (QLD) Pty Limited

The FTB (QLD) Pty Ltd (FTB) Share Sale Agreement dated 14 September 2011 includes an agreement to pay a royalty of $0.50 per tonne of coal mined from the FTB tenements and sold to a third party (tenements acquired as part of the sale agreement included 1300, 1394, 1477, 1478, 1479, 1480, 1574, 2047, 2049 and 2105). The royalty applies to a maximum tonnage of 10 million tonnes (Mt) per year and will cease 20 years from the date of first production of coal from any of the FTB tenements. No amount has been paid or accrued as at 30 June 2018.

Springsure Mining Pty Limited

The Springsure Mining Pty Limited (Springsure) Share Sale and Purchase Agreement for TerraCom Limited's (TerraCom) purchase of 50.52% ownership in Springsure provided for the following consideration:

- Initial purchase consideration of AU$250,000;
- Initial Additional Consideration, being contingent payments of AU$2,200,000 for each of the first five tranches of 10Mt of Joint Ore Reserves Committee (JORC) Indicated Resource;
- Final Additional Consideration, being contingent payments of AU$1,800,000 for each of the next five tranches of 10Mt of JORC indicated Resource; and
- Initial Additional Consideration and Final Additional Consideration total contingent payments to a maximum of AU$20,000,000, which is payable in cash or TerraCom shares.

On the 29 November 2013 the Company announced a Maiden JORC Indicated Resource of 43Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project. The Indicated Resource triggered the Initial Additional Consideration settlement from TerraCom under the Springsure Share Sale and Purchase Agreement by which Springsure was acquired by TerraCom (Springsure Settlement).

The counterparty to the Share Sale and Purchase Agreement assigned the Springsure Settlement to A.C.N. 137 271 642 Pty Limited. TerraCom consented to this assignment in return for adjustments to the Springsure Settlement which improved the commercial terms for the Company. The revised commercial terms were as follows:

Note 41. Contingent liabilities (continued)

- The Initial Additional Consideration was to have been AU$11 million. However, TerraCom would only make payments for four 10Mt tranches (totalling AU$8.8 million) as A.C.N. 137 271 642 Pty Limited had agreed to forego, after negotiations with TerraCom, any settlements for the fifth 10Mt tranche;
- TerraCom was released from any obligation to pay the fifth 10Mt tranche; and
- Payment was made by the issue to A.C.N. 137 271 642 Pty Limited of fully paid ordinary shares in TerraCom, not a cash settlement.

Pursuant to a deed poll dated 19 December 2012, TerraCom acknowledged the assignment by counterparty to the Share Sale and Purchase Agreement of its rights to receive the Final Additional Consideration to Gleneagle Securities Nominees Pty Ltd.

Terra Energy LLC

As announced on 5 April 2011, TerraCom granted a call option with respect to its now wholly owned subsidiary Terra Energy LLC. The Call Option Deed provides the counterparty with the right to acquire a 25% equity interest in Terra Energy LLC for AU$25 million, with the option expiring immediately prior to a qualifying IPO, otherwise there is no expiration date.

Enkhtunkh Orchlon LLC

TerraCom, through a wholly owned subsidiary, acquired Enkhtunkh Orchlon LLC (EO) from Noble Resources International Pte Limited (Noble) which holds Exploration Licence 12600X – being the Khar Servegen (KS) Coking Coal Resource which is located adjacent to the Baruun Noyon Uul (BNU) Mine. The consideration included:

- Initial purchase consideration of US$6.0 million; and
- Deferred purchase consideration, which includes a royalty payable to Noble as follows:
  - for the first 5 million tonnes of coal produced and sold, US$7.50 per tonne;
  - for the next 5 million tonnes of coal produced and sold, US$4.25 per tonne;
  - thereafter, US$1.25 per tonne of coal produced and sold; and
  - aggregate royalty amount paid to Noble equals US$65.0 million.

Note 42. Capital and leasing commitments

	Consolidated	
	2018 $'000	2017 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	64	6,733
One to five years	11	15
	75	6,748
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	5,291	2,939
One to five years	998	4,230
Total commitment	6,289	7,169
Less: Future finance charges	(448)	(959)
Net commitment recognised as liabilities	5,841	6,210
Exploration and evaluation commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,311	18,595
One to five years	5,721	6,185
	9,032	24,780

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within 1 to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $7.25 million (2017: $6.116 million) under finance leases expiring within 1 to 2 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

The Exploration and evaluation commitments for Exploration Permits for Coal (EPCs) are to the Department of Mines and Energy (Queensland) and Mongolian authorities.

As announced to the market on 8 January 2018, the Company is in discussions with an OCP entity with respect to a US$2.00 per BNU coal tonnes sold royalty for 5 years. As at at the date of this report, discussions are ongoing and no formal agreement has been reached. The Company does not have a present obligation with respect to this amount.

Note 43. Related party transactions

Parent entity
TerraCom Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 45.

Associates
Interests in associates are set out in note 19.

Note 43. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 40 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2018 $	2017 $
Issued 776,698 fully paid ordinary shares at an issue price of $0.2575 to Point Road Investments Pty Ltd - Wallace King AO	200,000	-
Services from The Maji Trust - James Soorely	200,000	19,516
Services from Tarva Investments and Advisory LLC - Cameron McRae	79,975	470,996

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018 $	2017 $
Current payables:		
Trade payables to The Maji Trust - James Soorley	121,000	23,401
Trade payables to Tarva Investments and Advisory LLC - Cameron McRae	-	71,429

Point Road Investments Pty Ltd (Point Road)

The issue of fully paid ordinary shares to Point Road were part of Wallace King AO's Non-Executive Chairman remuneration package. These fully paid ordinary shares were approved by the shareholders at the Annual General Meeting on 30 November 2017.

The Maji Trust (Maji)

The payment for services from The Maji Trust include $120,000 for director fees as Non-Executive, Independent Director and $80,000 of consulting services provided prior to when Mr Soorley was appointed as a director.

Mr Soorely was appointed to this role as a Non-Executive, Independent Director on 8 March 2017.

Tarva Investments and Advisory LLC (Tarva)

The payments made by the company to Tarva are for the services of Mr Cameron McRae acting as the Executive Chairman. Mr McRae resigned from the position of Director on 21 November 2017.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

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

Note 44. Parent entity information

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

Statement of comprehensive income

	Parent 2018 $'000	Parent 2017 $'000
Loss after income tax	(4,530)	(19,648)
Other comprehensive income for the year, net of tax	3,004	(2,967)
Total comprehensive income	(1,526)	(22,615)

Statement of financial position

	Parent 2018 $'000	Parent 2017 $'000
Total current assets	4,984	685
Total non-current assets	233,528	159,693
Total assets	238,512	160,378
Total current liabilities	64,120	34,759
Total non-current liabilities	174,392	148,972
Total liabilities	238,512	183,731
Net liabilities	-	(23,353)
Equity		
Issued capital	227,804	212,062
Foreign currency translation reserve	37	(2,967)
Other reserves	11,130	11,053
Accumulated losses	(238,971)	(243,501)
Total deficiency in equity	-	(23,353)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Note 44. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, 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.

Note 45. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
FTB (QLD) Pty Limited	Australia	100.00%	100.00%
Sierra Coal Pty Limited	Australia	100.00%	100.00%
Orion Mining Pty Limited	Australia	100.00%	100.00%
Clermont Logistics Pty Limited ***	Australia	100.00%	100.00%
Terra Energy Pty Limited	Australia	100.00%	100.00%
Clyde Park Coal Pty Limited *	Australia	64.40%	64.40%
Guildford Coal (Mongolia) Pty Limited *	Australia	83.87%	83.87%
Guildford Infrastructure (Mongolia) Pty Limited	Australia	100.00%	100.00%
Tellus Commodities Pte Limited	Singapore	100.00%	100.00%
Tellus Marketing Pte Limited *	Singapore	83.87%	83.87%
Terra Infrastructure Pte Limited	Singapore	100.00%	100.00%
Alag Tvesh LLC *	Mongolia **	83.87%	83.87%
Terra Energy LLC	Mongolia **	100.00%	100.00%
Enkhtunkh Orchlon LLC	Mongolia **	100.00%	100.00%
Tsagaan Uvuljuu LLC	Mongolia **	100.00%	100.00%
Terra Coal Processing LLC	Mongolia **	100.00%	100.00%

* Percentage of voting power is in proportion to ownership.
** Mongolian entities have a 31 December year end for statutory purposes to comply with local laws and regulations.
*** Orion Housing Pty Ltd changed its name to Clermont Logistics Pty Ltd on 7 March 2018.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 1:

			Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2018 %	Ownership interest 2017 %	Ownership interest 2018 %	Ownership interest 2017 %
Clyde Park Coal Pty Limited	Australia	Exploration	64.40%	64.40%	35.60%	35.60%
Guildford Coal (Mongolia) Pty Limited	Australia	Holding Company	83.87%	83.87%	16.13%	16.13%
Tellus Marketing Pte Limited	Singapore	Holding Company	83.87%	83.87%	16.13%	16.13%
Alag Tvesh LLC	Mongolia	Exploration	83.87%	83.87%	16.13%	16.13%

Note 45. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of subsidiaries with non-controlling interests that are material to the consolidated entity are set out below:

	Clyde Park Coal Pty Limited		Guildford Coal (Mongolia) Pty Limited *	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Summarised statement of financial position				
Non-current assets	3,732	2,949	969	1,112
Total assets	3,732	2,949	969	1,112
Current liabilities	418	1	1,896	-
Total liabilities	418	1	1,896	-
Net assets/(liabilities)	3,314	2,948	(927)	1,112
Summarised statement of comprehensive income				
Expenses	(1)	(40)	(770)	(1,280)
Loss before income tax expense	(1)	(40)	(770)	(1,280)
Income tax expense	-	-	-	-
Loss after income tax expense	(1)	(40)	(770)	(1,280)
Other comprehensive income	-	-	35	-
Total comprehensive income	(1)	(40)	(735)	(1,280)
Statement of cash flows				
Net cash used in operating activities	(1)	-	(14)	-
Net cash from financing activities	1	-	14	-
Net increase in cash and cash equivalents	-	-	-	-
Other financial information				
Loss attributable to non-controlling interests	(1)	(40)	(770)	(1,280)
Accumulated non-controlling interests at the end of reporting period	2,947	2,948	377	1,112

* The financial information above for Guildford Coal (Mongolia) Pty Limited includes its wholly owned subsidiaries of Tellus Marketing Pte Limited and Alag Tvesh LLC

Note 46. Earnings per share

	Consolidated	
	2018	2017
	$'000	$'000
Profit/(loss) after income tax	(19,135)	22,245
Non-controlling interest	736	220
Profit/(loss) after income tax attributable to the owners of TerraCom Limited	(18,399)	22,465

Note 46. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	330,000,992	262,838,695
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	7,331,874
Detachable warrants	-	12,630,831
Weighted average number of ordinary shares used in calculating diluted earnings per share	330,000,992	282,801,400

	Cents	Cents
Basic earnings per share	(5.58)	8.55
Diluted earnings per share	(5.58)	7.94

Note 47. Share-based payments

Foster Stockbroking Pty Ltd

29 August 2016 – 3,000,000 unlisted options issued to Foster Stockbroking Pty Ltd for the provision of institutional research coverage services. The options were issued in two tranches of 1,500,000 at a strike price of $0.30 and $0.45 respectively and an expiry date of 31 August 2018.

This transaction is a share based payment for services to be provided over a 12-month period from 28 August 2016. This share based payment has been prorated over the service period with the relevant portion expensed up to the 31 August 2017. An expense of $77,000 (2017: $381,000) has been recognised within administration expenses in the income statement.

Point Road Investments Pty Ltd

29 December 2017 – 776,698 fully paid ordinary shares were issued to Point Road Investments Pty Ltd at an issue price of $0.2575. The issue of fully paid ordinary shares was part of Wallace King AO's Non-Executive Chairman remuneration package. These fully paid ordinary shares were approved by the shareholders at the Annual General meeting on 30 November 2017.

Tarva Investments and Advisory LLC - Cameron McRae (Tarva)

30 November 2016 – 73,318,740 fully paid ordinary shares were approved as a sign-on bonus to be allocated to Tarva, a company that Cameron McRae controls. The sign-on share bonus was granted upon approval at the Company’s AGM on 30 November 2016. These shares have not been issued to Tarva.

At the Company’s AGM held on 30 November 2016 shareholders approved a $600,000 sign-on bonus (fully paid ordinary shares for nil consideration) to Cameron McRae, through the Executive Chairman Consultancy Agreement with Tarva Investment and Advisory LLC (Tarva) a company which he controls, with a conditions precedent that shareholder approval be obtained before granting the bonus. At the time of agreeing this bonus, the average VWAP of TerraCom’s shares were $0.008183 which entitled Mr McRae to 73,813,740 fully paid ordinary shares for nil consideration. For accounting standard purposes, a share based payment expense of $2,713,000 was recognised in the profit and loss statement for the year ended 30 June 2017 as the grant date for the shares was not until 30 November 2016 (the date shareholder approval was obtained) and the fair value of the shares was determined using the market value of the shares as at 30 November 2016, which was $0.037 per fully paid ordinary share. As at 30 June 2017 these shares have not yet been issued to Tarva.

Note 47. Share-based payments (continued)

Set out below are the options granted by the Company:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/02/2016	26/02/2021	$0.2600	12,630,833	-	-	-	12,630,833
29/08/2016	31/08/2018	$0.3000	1,500,000	-	(750,000)	-	750,000
29/08/2016	31/08/2018	$0.4500	1,500,000	-	-	-	1,500,000
30/11/2016	30/11/2017	$0.0818	7,331,874	-	-	(7,331,874)	-
			22,962,707	-	(750,000)	(7,331,874)	14,880,833
Weighted average exercise price			$0.2192	$0.0000	$0.3000	$0.0818	$0.2829

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/02/2016	26/02/2021	$0.2620	12,630,833	-	-	-	12,630,833
29/08/2016	31/08/2018	$0.3000	-	1,500,000	-	-	1,500,000
29/08/2016	31/08/2018	$0.4500	-	1,500,000	-	-	1,500,000
30/11/2016	30/11/2017	$0.0818	-	7,331,874	-	-	7,331,874
			12,630,833	10,331,874	-	-	22,962,707
Weighted average exercise price			$0.2600	$0.1670	$0.0000	$0.0000	$0.2192

Note 48. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit/(loss) after income tax benefit for the year	(19,135)	22,245
Adjustments for:		
Depreciation and amortisation	18,177	4,873
Write off of non-current assets	184	3,415
Write off of intangibles	95	809
Share of loss - associates	14	9
Share-based payments	277	3,094
Foreign exchange differences	(1,403)	(59)
Gain on Blair Athol acquisition	-	(60,872)
Income tax benefit	(6,601)	(21,678)
Non-cash interest expense	15,984	22,083
Fair value discounting	2,184	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(13,424)	1,647
Increase in inventories	(13,876)	(1,918)
Decrease in secured deposit	3,368	-
Decrease/(increase) in other operating assets	(3,367)	2,212
Increase in trade and other payables	37,617	16,696
Increase/(decrease) in other provisions	(1,698)	231
Increase in deferred revenue	11,656	-
Increase/(decrease) in other operating liabilities	4,229	(2,604)
Net cash from/(used in) operating activities	34,281	(9,817)

Note 49. Events after the reporting period

On 5 July 2018 the Company announced that Foster Stockbroking Pty Limited had been issued 750,000 ordinary shares following the Company receiving an options conversion notice for 750,000 options at a strike price of $0.30.

On 9 August 2018 the Company announced it had paid US$8.6 million principal and interest to fully repay the US$12 million Super Senior Note A Facility. The repayment of the Super Senior Note A Facility represents a 4% reduction in the Company’s debt.

On 24 August 2018 the Company announced it had paid US$2.8 million to settle the equity convertible Noble Fuel Facility and Noble Further Conversion Amount as per the Fuel Amendment Deed.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Wallace Macarthur King
Non-Executive Chairmen

30 August 2018
Sydney

Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of TerraCom Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of TerraCom Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

1. Going Concern Basis of Accounting

Why significant	How our audit addressed the key audit matter
As disclosed in Note 1 of the financial report, the Directors concluded that in their opinion, despite being in a net current liability position, and the business generating an after tax loss, there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. The financial report has been prepared on a going concern basis. The going concern assumption is fundamental to the basis of preparation of the financial report. As the Group has negative working capital at 30 June 2018, and given the judgment involved in preparing cash flow forecasts, we considered this matter and the related disclosures to be a Key Audit Matter.	We identified and evaluated the judgments and assumptions within the cash flow forecasts that form the basis of the Directors' assessment which included the following: ► Assessed the key operating assumptions and data in the cash flow forecasts with reference to independent expert reports, JORC reserve data, market coal price forecasts, current period operating costs, and contracted mining costs. ► Considered whether the Group's contractual obligations contained in its funding agreements were reflected in the cash flow forecasts. ► Assessed whether the Group's other contractual corporate costs and overheads had been appropriately included with reference to recent costs incurred. ► Considered the impact of the 30 June 2018 net current liability position on the forecast position. ► Considered the impact of potential sensitivities relating to coal prices and production volumes on the cash flow forecasts and working capital position. In addition, we assessed the adequacy of the financial report disclosures contained in Note 1.

2. Update to Purchase Price Accounting

Why significant	How our audit addressed the key audit matter
On 31 May 2017 the Group completed the acquisition of the Blair Athol Coal Mine in Queensland for $1. As disclosed in Note 5 in the financial report, the Group initially recorded a gain on acquisition of $45.7m. The accounting for the acquisition was considered provisional at 30 June 2017 due to the timing, and complexity of the transaction.	Our audit procedures included the following: ► Evaluated the qualifications, competence and objectivity of the external valuation experts used by the Group. ► Assessed the updated mining lease/reserves valuation with the assistance of our valuation specialists, as follows:

In the year ended 30 June 2018, the purchase accounting has been finalised, which has resulted in an additional $15.133m gain on acquisition. In accordance with the Australian Accounting Standards this gain was accounted for retrospectively in the prior period, with the prior period comparative balances restated to reflect this update. Refer to Note 3 of the financial report.

The finalisation of the purchase accounting was considered a key audit matter due to the judgement required by the Group to update the measurement of the fair value of the mining lease/reserves and associated tax balances. This required judgment in assessing what new information was obtained about facts and circumstances that existed as of the acquisition date which, if known, would have affected the measurement of the amounts recognised as of that date.

- Considered whether the modelling methodology applied was in accordance with Australian Accounting Standards.
- Considered whether new information provided, related to facts and circumstances which existed at the acquisition date and how this information was incorporated into the valuation.
- Assessed reserve changes from the original fair value calculation performed at 31 May 2017 with reference to updated JORC statements.
- Assessed changes to production profile, operating costs and coal specifications resulting from the updated JORC reserves with reference to an independent expert report and trend analysis.

- ► Engaged our tax specialists to consider the availability of carryforward tax losses and the tax effects on the acquisition accounting.
- ► Assessed the adequacy of the disclosures in relation to the acquisition and restatement in accordance with the requirements of the Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of TerraCom Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Anthony Jones
Partner
Sydney
30 August 2018