

## QUARTERLY ACTIVITIES REPORT

### December 2019

- Sales in Q2 – 148,238 tonnes
- Production in Q1 – 142,775 tonnes
- Coal stocks available to meet demand
- Appointment of Tancoal CEO

Intra Energy Corporation (IEC) is the dominant coal supplier to industrial energy users in the Eastern African region. Its 70% owned Tancoal mine in Tanzania which is also 30% owned by the National Development Corporation of Tanzania (NDC) is the largest operational coal mine in Tanzania and East Africa, and is manned exclusively by Tanzanians.

### MINING OPERATIONS

#### IEC Group Production and Sales

	Quarter Ended		
	Dec-19	Dec-18	Var (%)
Overburden Stripped (bcm)	619,442	808,358	-23.37%
Coal mined (tonnes)	142,775	181,336	-21.26%
Sold (tonnes)	148,238	211,147	-29.79%

Production and sales have been solely from the Tancoal Mine.

#### IEC Group quarterly sales volumes (as a percentage) by country

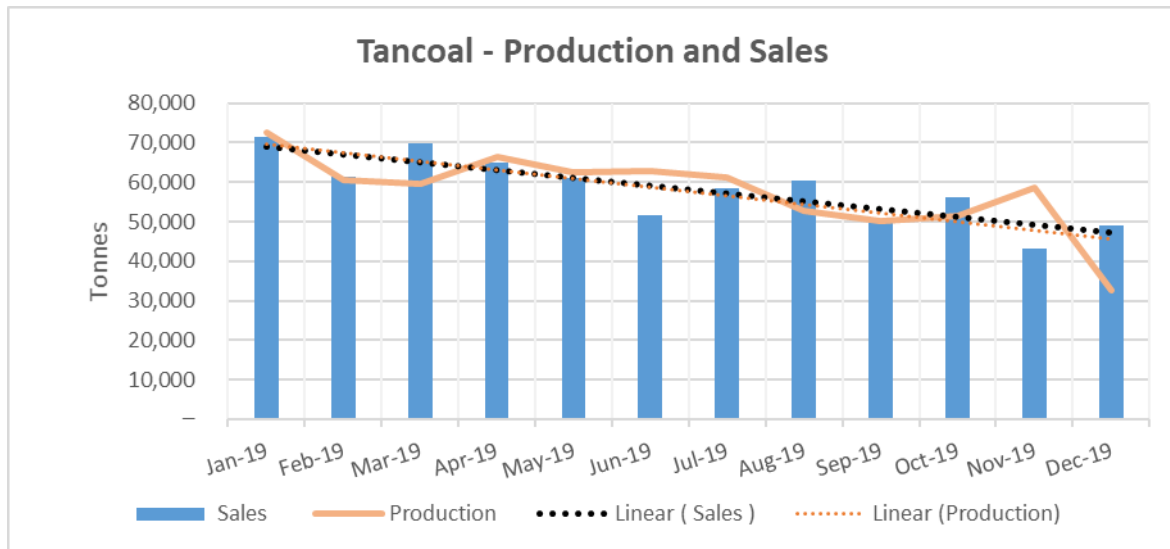
	Quarter Ended	
	Dec-19	Dec-18
Tanzania	75.48%	76.00%
Kenya	14.52%	13.00%
Rwanda	2.72%	7.30%
Uganda	7.29%	3.70%

#### IEC Group quarterly sales volumes (as a percentage) by industry

	Quarter Ended	
	Dec-19	Dec-18
Cement	54.89%	57.60%
Ceramics	32.30%	33.50%
Textiles	4.44%	4.30%
Other	8.37%	4.60%

The cement industry remained the main customer during the quarter. The marketing objective continues to be the lessening dependence on the cement industry and broadening the supply of coal into regional and seaborne industrial and power station markets.

**Tancoal (Tanzania)**



Tancoal’s sales for the quarter continued to be lower due to the continued slowdown in the cement industry, uncertainty for customers surrounding the royalty on transport, kiln maintenance at a major customer and increased competition from two small local competitor mines that have secured approximately 10,000 tonnes per month but due to mining limitations are not expected to be long term competitors. An investigation into the supply of low quality coal into Kenya from small mines in Tanzania using copies of Tancoal documents is ongoing, Tancoal is meeting with clients in Kenya, Rwanda and Uganda to discuss the issue. Coal sales in Q2 were 29.79% lower than the same quarter in 2018.

Discussions with the Tanzanian Ministry of Minerals, Mining Commission on the royalty and clearance fees on transport and the payment of the outstanding charge of US\$10.408 million are ongoing, (refer ASX announcement 22 October 2019). Tancoal is responding to the claim made by NDC that IEC has breached the Shareholders Agreement governing Tancoal. IEC strenuously denies this matter.

Tancoal is discussing an extension of time for the three final payments due under the settlement agreement made with the former contractor, Caspian (refer ASX announcement on 6 May 2019) due to tighter cash flow from lower sales.

The High Court of Tanzania (Commercial Division) in the NBC Bank case ruled in favour of Tancoal (refer ASX announcement 8 April 2019). NBC referred an appeal to the Court of Appeal of Tanzania and the initial process for the conduct of the Appeal are underway, with NBC having lodged their written submissions and Tancoal’s written submissions being prepared, after which the Court will issue Summons to the Parties to appear for a hearing.



## ENERGY

IEC continues to investigate partnership arrangements for the development of a mine-mouth power station, however, the Government has not given an approval for a coal-fired power station for southern Tanzania at this stage.

## MALAWI

Operations and expenditure have ceased except for provision of care and maintenance services. The mining licence has been relinquished.

## EXPLORATION

Coal exploration is concentrated on tenements being maintained in good standing and supporting mine development work. Gold exploration continues through an associated company, Intra Minerals Limited (Mauritius) in the Cabo Delgado and Nampula Provinces of Mozambique. The initial gold exploration programme will end with the advent of the wet season in December/January. Gold and other minerals are being explored by Intrafrican Resources Limited, formerly known as AAA Drilling Limited (Mauritius) which will host the diversification of IEC into mineral exploration and services.

## INTRAFRICAN RESOURCES LIMITED

Intrafrican Resources has invested in Intra Minerals Limited which owns 95% of the Lurio Gold Project in Mozambique and has completed its initial trenching program. An independent expert has been retained to issue a report which is expected early February and will be reported to shareholders.

The potential quantity and grade of the exploration project is conceptual in nature and therefore is an approximation. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Highlights of the project to date are that trenching results to date are encouraging enough to demand further drilling and exploration to improve understanding of the gold mineralisation on the approximately 130 square km licence area.

Intrafrican Resources is investigating options to raise capital to continue with the exploration program in the Lurio Gold Project as well as investigating another recently found gold area for exploration potential.

## CORPORATE

Cashflow	Current Quarter A\$ '000	Year to Date (6 months) A\$ '000
<b>Cash at beginning of the Quarter</b>	<b>434</b>	<b>(243)</b>
Operating	485	2,255
Investing	(96)	(2,594)
Financing	(519)	895
Exchange Rate Adjustments	8	(1)
<b>Cash at end of Quarter</b>	<b>312</b>	<b>312</b>

- The bank overdraft limit with KCB Bank Tanzania Limited (“KCB”) was US\$0.9 million, (A\$1.332 million) at 31 December 2019.
- Bank Facilities with KCB Bank of Tanzania were renewed in September 2019 on the same terms and conditions.
- The appeal of the TRA assessment of VAT to Tancoal, from the commencement of mining to June 2015 of approx. 3 million US dollars of which approx. 50% is interest and penalties, is ongoing.
- The tax investigation unit of the TRA has commenced an audit from the incorporation of the company to the current period. The investigation continues to be ongoing.
- In January 2020, the Prevention and Combating of Corruption Bureau (“PCCB”) commenced an investigation into Tancoal covering the period from the start of the company. Tancoal has not been advised of the reason for the investigation and is providing all documents as requested.
- Mr Daniel Mikenze was appointed Tancoal’s CEO

### **Community**

- The Mbalawala Women’s Organisation (“MWO”) in Tanzania that has been supported by the company for many years continues to go from strength to strength as their operations expand with the growth of the mine.
- Tancoal’s Corporate Social Responsibility (“CSR”) plan for 2020 is being submitted.
- The project to construct a well capable of delivering 10,000 litres per hour of potable water at the Ntunduwaro village close to the mine site has been completed.

## **OUTLOOK**

The Quarter under review has been extremely difficult for the Company in Tanzania operating the Tancoal Energy Limited coal mine despite improved relations with the Minerals Ministry and closer collaboration with the Mining Commission. The downturn in sales is likely to continue with the commencement of the wet season and lower cement demand.

However, the potential development of Intrafrican Resources in the mineral sector shows a promising diversification away from traditional coal production. Funding is being reviewed through the listing of Intrafrican Resources in Mauritius as well as farming-in interest in the Lurio Gold Prospect itself.

For further information please contact:

### **Shareholder Enquiries**

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**IEC - SCHEDULE OF MINING AND PROSPECTING TENEMENTS**

Tenement ID	Country	Company	% Ownership	Locality	Minerals	Status
PL 7620/2012	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	2 <sup>nd</sup> Renewal pending
PL 7713/2012	Tanzania	Tancoal	100	Mhukuru	coal	Active
PL 8999/2013	Tanzania	Tancoal	100	Mbalawala East	coal	Active
ML 439/2011	Tanzania	Tancoal	100	Tancoal	coal	Active
PL 7391/2011	Tanzania	Tancoal	100	Mbalawala	coal	2 <sup>nd</sup> Renewal pending
PL 9807/2014	Tanzania	Tancoal	100	Mbamba bay	coal	1 <sup>st</sup> Renewal pending
ML/608/19	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	ML Application recommended
ML/609/19	Tanzania	Tancoal	100	Mbuyura	coal	ML Application recommended
ML/610/19	Tanzania	Tancoal	100	Mbalawala	coal	ML Application recommended
PL 10417/2014	Tanzania	Tancoal	100	Mhukuru	coal	1 <sup>st</sup> Renewal pending
PL 11156/2017	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 11086/2016	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Application recommended
PL 13996/2019	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Application recommended
PL 10116/14	Tanzania	Tanzacoal	100	Songwe/Kiwira	coal	Active
ML 0143/2005	Malawi	Malcoal	100	Kayelekera	coal	Active
PL10975/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10976/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10977/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL/10979/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10950/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL/10980/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10981/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active

^Mining Licence Application  
 Tancoal is owned 70% by IEC  
 Malcoal is owned 90% by IEC