

## QUARTERLY ACTIVITIES REPORT

### June 2019

#### INTRA ENERGY ENDS YEAR WITH SOLID PERFORMANCE

- Sales in Q4 – 177,381 tonnes
- Production in Q4 – 191,633 tonnes
- Coal stocks available to meet demand
- Additional equipment purchased to increase capacity at the mine
- Caspian settlement agreement signed

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		
	Jun-19	Jun-18	Var (%)
Overburden Stripped (bcm)	826,636	759,545	8.83%
Coal mined (tonnes)	191,633	144,346	32.76%
Sold (tonnes)	177,381	155,587	14.01%

- Production and sales have been solely from the Tancoal Mine.

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

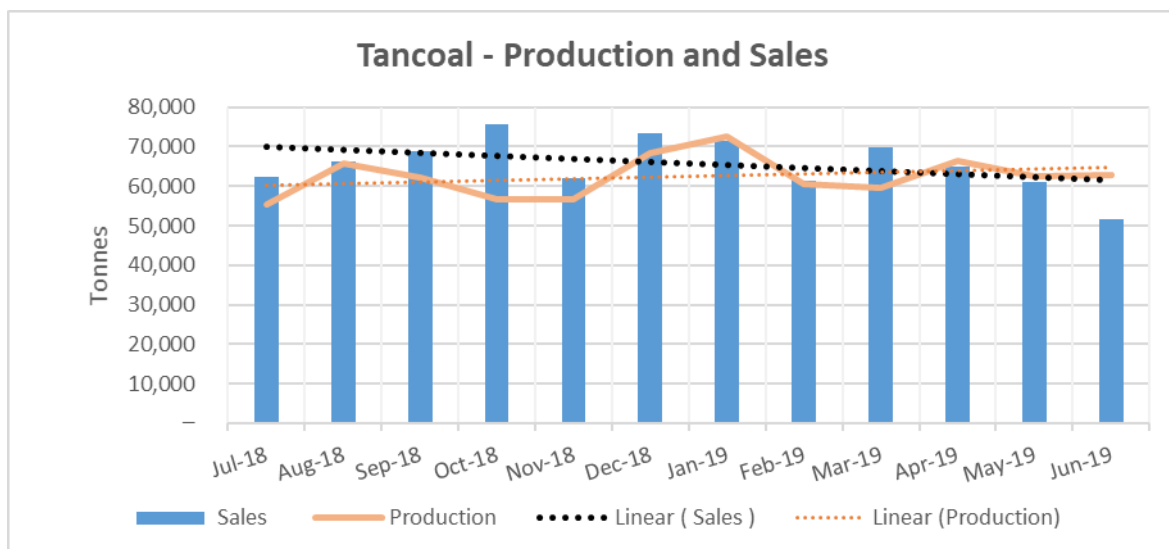
	Quarter Ended	
	Jun-19	Jun-18
Tanzania	67.43%	67.71%
Kenya	20.27%	14.74%
Rwanda	2.99%	9.46%
Uganda	9.31%	8.09%

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

	Quarter Ended	
	Jun-19	Jun-18
Cement	55.51%	52.07%
Ceramics	31.77%	30.31%
Textiles	5.37%	6.92%
Other	7.35%	10.70%

The cement industry remained as the main customer during the quarter although lower than Q3 with ceramics customers returning to higher production and a customer completed a maintenance shut down. 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 were steady given the wet weather that caused a slowdown in the cement industry with some customers shutting down mills for maintenance. Coal sales in Q4 were 14.01% higher than the same quarter in 2018. Total sales for FY19 were 45.8% higher than FY18 as a result of increased customer demand and the improvements in the efficiency of the mine.

During the quarter Tancoal purchased two new wheel loaders and three new Bell 50T Dump Trucks that arrived in July. A mining contractor is also taking delivery of a further three trucks and three new contract excavators operating in the quarter. The capacity of the mine will increase to more than 80,000 tonnes per month with the new larger trucks and excavators operating.



#### **New Bell B50T Dump Trucks**

The Caspian court case has been withdrawn as per the settlement agreement (refer ASX announcement on 6 May 2019) Caspian has left the mine site as per the agreement and payments are being made as scheduled.

The court in the NBC Bank case found in favour of Tancoal (refer ASX announcement 8 April 2019), NBC has lodged an appeal and Tancoal is still waiting for a court date. IEC will continue to keep the market informed.

### **ENERGY**

In November 2015 IEC entered into a Memorandum of Understanding (MOU) with SINOHYDRO Corporation Limited (a subsidiary of Power China) to jointly develop the feasibility for the 270MW Ngaka coal-fired minemouth power station project in the Tancoal mine area. The Feasibility Study was delivered to the Tanzanian Government in October 2016. No action has resulted and the MOU lapsed in December 2018. IEC continues promoting partnership arrangements with other parties.

### **Malawi**

Operations and expenditure have ceased except for provision of care and maintenance services.

### **EXPLORATION**

Coal exploration is concentrated on tenements being maintained in good standing and supporting mine development work.

### **AAA DRILLING**

IEC has purchased 50% of the shares in AAA Drilling Limited (Mauritius) for US\$75,000. This makes AAA Drilling Limited (Tanzania) a wholly-owned subsidiary of IEC with a Hanjin Drilling rig that is ideal for multiple drilling purposes in coal bed methane, geothermal, coal and minerals exploration.

AAA has commenced discussions to take equity in an exciting gold development in Mozambique, which, if successful will provide IEC shareholders with a more diversified portfolio in a “business-friendly environment”.



**Hanjin 45D Drilling Rig built in 2012 for multiple exploration applications**

## CORPORATE

<b>Cashflow</b>	<b>Current Quarter A\$ '000</b>	<b>Year to Date (12 months) A\$ '000</b>
<b>Cash at beginning of the Quarter</b>	<b>1,971</b>	<b>(1,857)</b>
Operating	(961)	2,875
Investing	(1,507)	(1,987)
*Financing	265	823
Exchange Rate Adjustments	(14)	(100)
<b>Cash at end of Quarter</b>	<b>(246)</b>	<b>(246)</b>

\*Includes US\$900,000 (A\$1,187,000) transferred from bank overdraft to term loan in July 2018

- The bank overdraft limit with KCB Bank Tanzania Limited (“KCB”) was US\$0.9 million, (A\$1.283 million) at 30 June 2019
- Bank Facilities with KCB Bank of Tanzania were renewed in July 2018. As part of the renewal the overdraft was reduced from US\$1.8 million to \$0.9 million with the balance converted to a three

year term loan. The invoice discounting facility for sales to a customer, Lake Cement, was not renewed as it had not been used for some time. All other terms and conditions governing the facility are relevant to the new facility.

- The TRA issued an assessment of VAT to Tancoal from the start of the mine to June 2015 of approx. 3 million dollars of which approx. 50% is interest and penalties. Tancoal has issued an appeal against a large part of the assessment. In order to submit the appeal, Tancoal was required to pay 30% of the assessment under the law of Tanzania. Tancoal has calculated the amount that it expects may be liable after the appeal, subject to audit Tancoal will include an amount in its accounts.

### **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 2019 has been approved by the Government as required under the new rules. A new plan will be submitted for FY 2020.
- The Mbinga District Council is very close to completing Tancoal’s 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.
- Tancoal and the Mbalawala Women’s Organisation participated in the Dar es Salaam International Trade Fair during the quarter with The National Development Corporation, Tancoal’s joint venture partner.

### **OUTLOOK**

As shown by the last 12 months, IEC has successfully diversified customers, increased sales, removed a low performance contractor and positioned itself to produce a million tonnes per year of good quality thermal coal. This will service the industrialisation of Tanzania and provide support to industries in neighbouring countries. This is being undertaken efficiently by Tancoal, a mine manned solely by Tanzanians. However, the last Quarter has not been easy as the business environment of Tanzania provides many challenges and management are constantly under pressure from policies which make mining in Tanzania unattractive. This is particularly in the area of retrospective taxation and fines. Despite this, IEC has managed to continue working to benefit the country as well as running a profitable business and investing in future growth with new equipment and infrastructure development. Corporate Social Responsibility remains a priority with the sustainable development of the local Mbalawala Womens Organisation, provision of potable water and tree planting exercises. The most exciting opportunity which has presented itself is the low-cost entry into a potentially significant gold development in Mozambique being negotiated by AAA Drilling (Mauritius) which is a 100% subsidiary of IEC scheduled for Q1, 2020.

For further information please contact:

#### **Shareholder Enquiries**

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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	2 <sup>nd</sup> Renewal pending
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 pending – part of ML610/19
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