

QUARTERLY ACTIVITIES REPORT

September 2019

- Sales in Q1 – 169,407 tonnes
- Production in Q1 – 164,126 tonnes
- Coal stocks available to meet demand
- Royalty and Clearance fees on transport – discussions ongoing

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		
	Sep-19	Sep-18	Var (%)
Overburden Stripped (bcm)	929,166	757,214	22.71%
Coal mined (tonnes)	164,126	183,183	-10.40%
Sold (tonnes)	169,407	197,448	-14.20%

Production and sales have been solely from the Tancoal Mine.

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

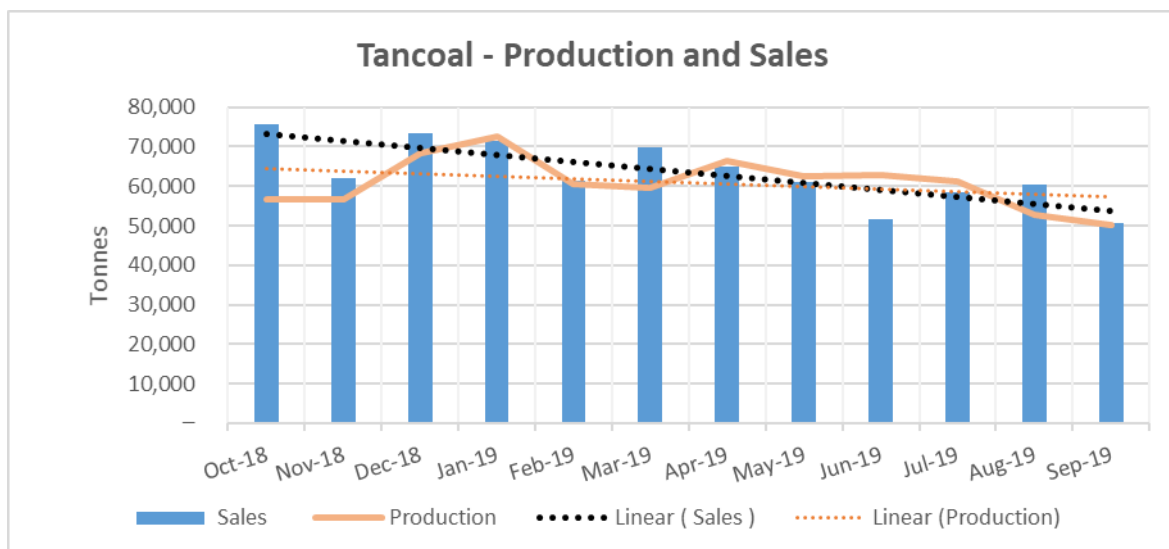
	Quarter Ended	
	Sep-19	Sep-18
Tanzania	66.13%	74.59%
Kenya	23.05%	16.69%
Rwanda	3.24%	5.25%
Uganda	7.58%	3.47%

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

	Quarter Ended	
	Sep-19	Sep-18
Cement	45.98%	53.82%
Ceramics	36.73%	25.83%
Textiles	5.97%	5.3%
Other	11.32%	15.05%

The cement industry remained as the main customer during the quarter although sales were slightly lower (4.7%) than the previous 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 were lower due to the continued slowdown in the cement industry and lower export sales due to the uncertainty over the implementation of royalty and clearance fees on the cost of transport to the customers business for both domestic and international destinations. Coal sales in Q4 were 14.2% lower than the same quarter in 2018.

During the quarter Tancoal's three new Bell 50T Dump Trucks and another mining contractor's three new Bell 50 Dump Trucks began working, improving the efficiency at the mine and increasing capacity to 80,000 tonnes per month.

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). NDC have claimed that the Shareholders Agreement governing Tancoal has been breached by IEC. IEC strenuously denies this matter and is waiting for the opportunity to resolve the NDC concerns.

Caspian payments were made as per the settlement agreement during the quarter (refer ASX announcement on 6 May 2019).

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

AAA Drilling Limited (Mauritius) has invested in a gold concession in Mozambique that has commenced initial exploration.

CORPORATE

Cashflow	Current Quarter A\$ '000	Year to Date (3 months) A\$ '000
Cash at beginning of the Quarter	(243)	(243)
Operating	1,770	1,770
Investing	(2,498)	(2,498)
Financing	1,414	1,414
Exchange Rate Adjustments	(9)	(9)
Cash at end of Quarter	434	434

- The bank overdraft limit with KCB Bank Tanzania Limited (“KCB”) was US\$0.9 million, (A\$1.332 million) at 30 September 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 is ongoing.

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 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.

OUTLOOK

The first quarter to end September 2019 has been a very difficult period as Tancoal and IEC have engaged with Mining Commission, Tanzanian Revenue Authority (TRA) and NDC issues. As a result, sales have fallen by 14.2% over the previous corresponding period and are beginning to reduce our exports which in this quarter comprise 33.9% of sales. We are endeavouring to manage these issues and have expressed our willingness to work with the Ministry of Minerals to turn-around this declining market situation and resolve a system whereby the Government may more directly profit from the mining operations.

There is evidence of private parties manoeuvring to discredit IEC with the Government and it will be important to engage with the Government to prevent this which is detrimental to Tanzania’s good reputation and the high moral and ethical standards of IEC. Tancoal has the plant capacity to produce 80,000 tonnes per month but will need to increase competitiveness in a price-driven market, which is achievable with increased sales.

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 nd Renewal pending
PL 7713/2012	Tanzania	Tancoal	100	Mhukuru	coal	active
PL 8999/2013	Tanzania	Tancoal	100	Mbalawala East	coal	2 nd Renewal pending
ML 439/2011	Tanzania	Tancoal	100	Tancoal	coal	Active
PL 7391/2011	Tanzania	Tancoal	100	Mbalawala	coal	2 nd Renewal pending
PL 9807/2014	Tanzania	Tancoal	100	Mbamba bay	coal	1 st 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 st 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