

MINING OPERATIONS

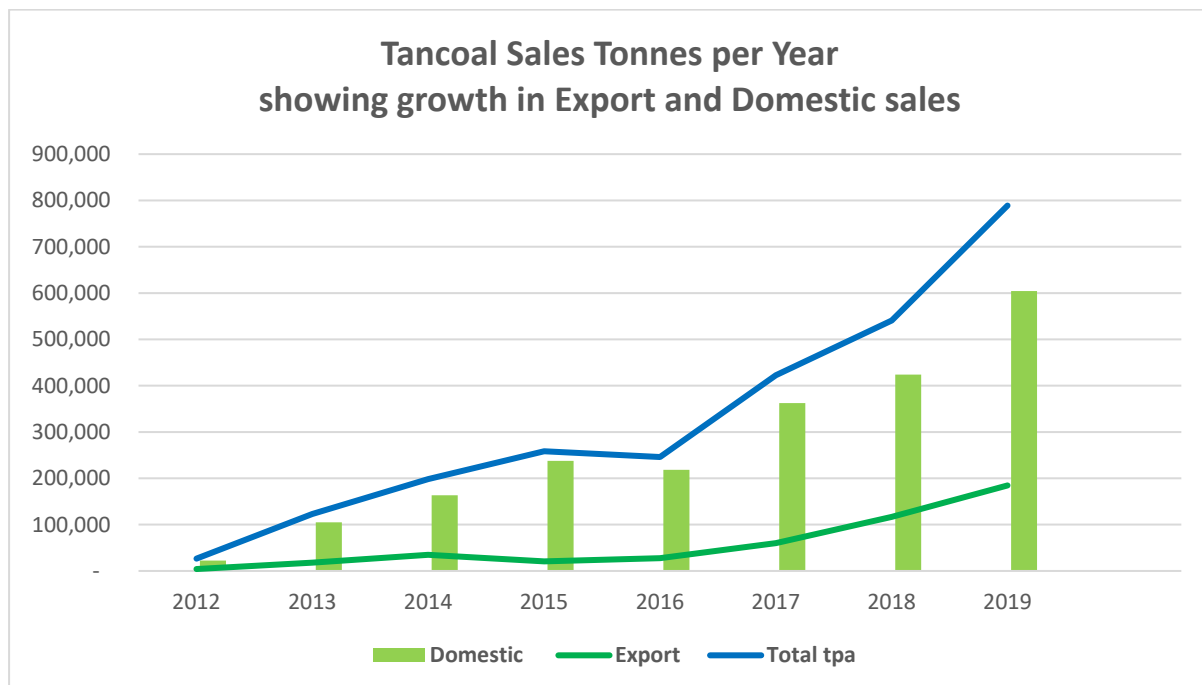
IEC’s 100% owned subsidiary, Intra Energy Tanzania Limited (“IETL”), owns a 70% interest in Tancoal Energy Limited (“Tancoal”), a joint venture with the National Development Corporation of Tanzania (“NDC”), which holds the remaining 30% interest. Tancoal was granted a Mining Licence (“ML”) by the Tanzanian Government on 18 August 2011 and commenced mining and supply of coal to domestic and regional industrial customers in Tanzania, Kenya, Uganda, Rwanda, Zambia and Malawi.

IEC’s flagship project, the Tancoal Mine, is a project of national significance, and remains the major operating coal mine in Tanzania.

	FY19	FY18
Overburden Stripped (BCM)	3,344,676	3,027,299
Coal mined (tonnes)	748,874	579,108
Coal Sold (tonnes)	788,702	540,937

Tancoal’s sales have grown year on year from 246,197 tonnes in FY 2016 to 788,702 tonnes in FY 2019. Export sales contributed to the sales growth increasing from 27,662 tonnes in FY 2016 to 184,646 tonnes (23.2% of total sales) in FY 2019. Domestic sales increased after the Tanzanian Government issued a Directive in August 2016 banning the import of coal. This directive increased sales to the domestic market customers that were previously importing coal from South Africa.

Tancoal produces a high quality thermal coal with an energy of 6,000K~6,300Kcals/kg which consistently meets client specifications. The increase in export sales has been a result of the availability of high quality coal and the purchase in FY 2018 of the crushing plant and matching screen plant that can produce the sized coal mostly required by export customers.



Tancoal has been producing and selling coal in Tanzania since 2011. Coal from the mine is transported on a 52 kilometre haul road to the Sales Point at Kitai where the coal undergoes final processing and is then sold and distributed from the stockpile.

The haul road can only take trucks up to 20 tonnes so there would be a significant cost saving if the existing road could be upgraded or a new road built that could take the larger 30 tonne trucks the customers send to collect their coal. Tancoal has investigated both options and the upgrade to the current road including village bypasses

is the preferred option that will be constructed when funds allow or when Tanroads agree to upgrade the existing road. Tancoal continues to lobby the government on this issue.

From the stockpile at the Kitai Sales Point the coal is loaded on to customers trucks Free On Transport (FOT), which is where change of ownership takes place. Royalties have always been paid at the Sales Point where the Government calculates the royalty and issues an invoice for payment. The Tanzania Mining Commission has demanded that Tancoal charge Royalty on the Transportation of the coal to the customers final destination, wherever that may be, both domestically and internationally. The Mining Commission has set a standard cost of transport to the customers plant at a rate per tonne per kilometre of \$0.06 for domestic customers and \$0.08 for export customers. It is understood that not all operating mines are not paying this levy which is being applied to coal in the same format as gold. The Company continues to discuss this matter with Government and customers to find a solution.

During the past year, Tancoal has purchased two new L566 Wheel loaders and three new Bell B50E ADT trucks to improve the efficiency of the mine and to increase capacity to more than 80,000 tonnes per month.

At the end of April 2019, Tancoal settled the dispute with the Caspian contractor. Under the settlement, Caspian dropped the court case filed against Tancoal and receives 75% of the value of their invoices to be paid by Tancoal in monthly instalments till 31 December 2019, and a reduction in the length of the contract by one year.

AAA DRILLING

IEC has purchased 50% of the shares in AAA Drilling Limited (Mauritius) (“AAA”) 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 invested in an exciting gold development in Mozambique, which, if successful will provide IEC shareholders with a more diversified portfolio in a business-friendly environment.

MALCOAL (MALAWI)

Malcoal Mining Limited (“Malcoal”) is a joint venture between IEC (90%) and its local partner, Consolidated Mining Industries Limited (“CMI”, 10%). Malcoal was an important part of IEC’s Eastern African strategy to be the dominant coal supplier in the region however, Malcoal suffered from intense competition from cheap imported coal and the decision was made in 2016 to halt operations.

The Company continues working to progress a sale of the Malawi assets. In the meantime, the assets are being held for sale and have been fully impaired in the accounts.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (“OHSE”)

OHSE is an important priority for IEC. The mine operations are subject to an Environmental Impact Assessment Plan and the operations are regularly audited by the relevant regulatory authorities. No major issues were identified for the financial year. Improvements to the storm water drainage systems at the Ngaka mine continued with the upgrading of the available trenches and ponds and the construction of new trenches and ponds to the new mine development areas. In-pit toilets were also provided in the year as well as additional lighting for night shifts. The addition of Speed Detector (Gun) has also provided Tancoal with better control of the haulage between the mine site and Sales Point reducing roll-overs and other speed related accidents.

At the mine site, we are currently building settling ponds around the mining areas to capture water that needs treatment before being released into the rivers. We have liners on the way to complete the program and will continue at our sales point with fresh liners as well.

PROJECTS

POWER STATION DEVELOPMENT

IEC continues to sponsor two major coal-fired energy projects, Project Pamodzi and Project Ngaka. The sponsor’s role is to be the originator of the projects. IEC will be the exclusive coal supplier to the proposed power stations.

PROJECT NGAKA (TANZANIA) – 270 MW

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.

PROJECT PAMODZI (MALAWI) – 120 MW

Execution of the PPA term sheet for Project Pamodzi Power Station in Malawi was completed in April 2016 after long deliberation by the Government of Malawi. This term sheet will form part of the sale of the Malawian assets.

EXPLORATION

Some low-level exploration was undertaken on the lithium and graphite tenements in Tanzania but expenditure remained controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

Due to uncertainty of the Mining Industry in Tanzania at the current time, Intra Energy Tanzania has halted all exploration projects until further notice.

IEC's total resources no longer include the resource for Malawi.

Table 1 - Intra Energy JORC resources

Project	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Tanzania				
Tancoal – North	51.00	73.70	71.73	196.43
Tancoal – South	25.53	71.80	63.00	160.33
Total JORC resources	76.53	145.50	134.73	356.76

COMPETENT PERSON STATEMENT

MBALAWALA/MBUYURA-MKAPA

The information in this report relates to Exploration Results, Mineral Resources or Ore Reserves based on the Mbalawala Mine Bankable Feasibility Study with related infrastructure feasibility options as at 31 August 2010, the Mbalawala Coal Mine Bankable Feasibility Study as at 13 August 2010, the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010 and the Updated Raw Coal Resource Estimate provided by JB Mining Services Pty Ltd dated 30 September 2017 and 30 November 2017 and have been reviewed by Mr Phillip Sides. Mr Sides is a Member of the Australian Institute of Geoscientists and as such qualifies as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ~ The JORC Code ~ 2012 Edition". Mr Sides is a consultant to JB Mining Services Pty Ltd and has sufficient experience to qualify as a Competent Person as defined in The JORC Code. Mr Sides consents to the inclusion of the matters based on his information in the form and context in which it appears.

CORPORATE

Operating cash flow improved in FY 2019 but it has been restricted since the settlement with the Caspian contractor at the end of April 2019 but it is expected to improve after the final payment is made in December 2019. Tancoal's banking facilities with KCB Bank of Tanzania were extended to April 2020.

Alan Fraser joined the Board on 24 August 2018 replacing David Nolan who retired on the same day.

Marc Schwartz joined the Board on 31 July 2019.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

COMMUNITY

At IEC our approach to corporate social responsibility ("CSR") is about partnership with local communities to develop initiatives to provide social and economic development as well as environmental protection and conservation in the areas IEC operate.

By developing partnerships with the communities, IEC is helping to foster sustainable development, share the socio-economic benefits from its operations and alleviate poverty.

Some of the key challenges associated with investing in Africa relate to governance, capacity building, human rights, environment and social issues. The mining industry in Tanzania is committed to continue to work in conjunction with the government and local communities to put in place programs and develop projects that have a tangible outcome, and priority is given to projects that alleviate poverty, contribute to building skills and support women's and youth economic empowerment, especially through education and business ownership.

The Tanzania government implemented new rules in FY 2019 requiring a Corporate Social Responsibility ("CSR") plan to be submitted and approved for each year. Tancoal's CSR plan for 2019 was approved by the Government and a new plan for FY 2020 is being submitted for approval.

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.

TANZANIA

MBALAWALA WOMEN'S GROUP ("THE WOMEN'S GROUP")

The Women's Group was established in late 2011 after consultation with local women and in partnership with community leaders. The Women's Group provides local goods and camp services to the mine employees of Tancoal and its contractors and is making coal briquettes certified by the Tanzanian Bureau of Standards. These coal briquettes are an alternative to charcoal. The Group was supported and funded from 2011 by the company and has been able to expand its operation with the growth of the mine, during 2019 it became self-funded. IEC congratulates MWO on its achievement and confirms its commitment to support the Group as needed into the future.

ENVIRONMENTAL

The annual tree planting programme again saw Tancoal transplant a total of 10,000 tree seedlings of indigenous species. Trees were planted around the mine site and stockpile area at the mine, villages surrounding mine site, the haul road and stockpile area at the Kitai sales point.

Tancoal has submitted the Mine Closure Plan to the Ministry of Minerals. The Minister appointed the National Mine Closure Committee which visited the mine site and conduct the mine closure meeting with Tancoal and they gave some recommendations to work on the plan document before the approval.

Storm water trenches have been continually upgraded for the rainy season in accordance with the mine development plan, Tancoal is continuing construction of a huge pond with liner that can hold acid water from south pit in order to comply with legal requirement. The monitoring of acid water and suppression of mine dust continues. Blasting is controlled by monitoring sound level, vibration and dust emission during blasting to ensure they do not exceed required standard set by Tanzania Bureau of Standard (TBS).