INTRA ENERGY CORPORATION LIMITED

ABN 65 124 408 751

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2016

Contents

Directors' Report

The Directors submit their report for the half year ended 31 December 2016.

Directors

The names of the Company's Directors in office during the half year and until the date of the report are as follows:

Mr. Graeme Robertson
Mr. David Mason
Mr. Mark McAndrew
Mr. Jonathan Warrand (resigned 8 August 2016)

Company Secretary

Ms. Rozanna Lee

Principal activities

The principal activity of the Consolidated Entity during the period was coal exploration, production and power generation in Eastern Africa.

Operating results

The consolidated loss of the Consolidated Entity for the half year ended 31 December 2016 was $2,220,000 (31 December 2015: $721,000).

Review of operations

The 'Consolidated Entity' referred to in the financial statements refers to the Intra Energy Corporation Limited combined Group comprising Intra Energy Corporation Limited (referred to either as "Intra Energy", "IEC" or "the Company"), Intra Energy Corporation (Tanzania) Limited ("IETL"), Tancoal Energy Limited ("Tancoal"), Tanzacoal East Africa Mining Limited ("Tanzacoal"), Malcoal Mining Limited ("Malcoal"), Intra Energy Trading Limited, East Africa Mining Limited, Intra Energy Limited and Pamodzi Power Limited.

Mining Operations:

Tancoal (Tanzania)

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

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

SALES	**Dec 16 HY**	**Dec 15 HY**
Coal Sold (tonnes)	179,452	137,026
PRODUCTION	**Dec 16 HY**	**Dec 15 HY**
Overburden Stripped (BCM)	899,871	716,648
Coal Mined (tonnes)	179,280	154,334
Coal Exposed (tonnes)	-	32,033

Directors' Report – (Cont'd)

Sales and coal prices were adversely affected by the importation of coal into Tanzania from South Africa during the period and was the main contributor to the loss in the period. The government of Tanzania banned the importation of coal in late August 2016 and an increase in sales and prices is slowly being achieved. Record sales were achieved in the months of October, November and December 2016. January 2017 sales achieved another record of 49,241 tonnes and production of 49,096 tonnes.

After discussions with the cement industry, the Ministry of Energy and Minerals and Tancoal, customers have indicated orders of approximately 60,000 tonnes per month in 2017. Tancoal is increasing its production capacity to meet the demand. Four 55T Dump Trucks reached the site in late February 2017 to begin work once assembled. When operating the trucks together with a new 85T Excavator that has been ordered this will increase the production capacity to meet demand. A new Grader to keep the Haul Road to the Kitai Sales Point in good condition is now working and the arrangements to have more than 40 coal Haul Trucks working every day on the Haul Road is in place.

Jim Shedd was appointed as CEO on 1 December 2016, he is resident in Tanzania.

IEC has commenced its energy diversification program to expand its energy interest with a focus on lithium, graphite and renewable power.

Malcoal (Malawi)

Malcoal is a joint venture between IEC and its local partner, Consolidated Mining Industries Limited ("CMI"). The joint venture was entered into in 2013 and operations at the Nkhachira Mine commenced early in 2014.

Competition from imported coal from Mozambique severely impacted the Malawian market for Malcoal coal. As a result the decision was made to cease operations and sell the operation. The sale is pending tax clearance which has been delayed but the sale is still expected to proceed.

A 30 June 2016, the assets of the Malawi Group were fully impaired. The operation has now been scaled right back to a minimum number of employees to maintain the assets. The loss from discontinued operations in the period to 31 December was $312,000 but the cost of maintaining the assets is expected to reduce now that the scaling back process has been completed.

Projects:

Project Ngaka (Tanzania)

On 25 November 2015 IEC executed a Memorandum of Understanding with SINOHYDRO Corporation Limited to jointly assess the feasibility for the 270 megawatt Ngaka coal-fired mine mouth project, located at the Tancoal mine. SINOHYDRO has more than 130,000 employees and provides services for financing, engineering, purchasing, implementation and operation for power, water conservation, transport infrastructure and civil works projects.

The Tanzanian Government has been very responsive to the need for diversified electricity generation and the Minister has the view that Tanzanian coal will play an important role in the fueling of baseload power generation for the country which currently uses hydro, wood, diesel and gas-fired generation. A 270 MW mine mouth power station would require some one million tonnes per annum of coal from Tancoal. The involvement of SINOHYDRO with IEC in the development of this power station has been well-received by the Government.

Directors' Report – (Cont'd)

Project Pamodzi (Malawi)

The Power Purchase Agreement (PPA) term sheet previously agreed and initialled with the Electricity Supply Corporation of Malawi was executed in the first half of 2016. The search for a development partner continued, and there have been initial discussions with Sinohydro. This project is a 120 MW capacity power station which will require two sources of coal supply from Malcoal and Tancoal using Lake Malawi barges. It is estimated that Project Pamodzi will require some 400,000 tonnes of coal from Tancoal. The project may require a domestic partner to assist it in gathering momentum. Discussions are being undertaken with potential local partners.

Drilling:

Activity in the joint venture AAA Drilling (IEC 50% with General Petroleum Oils and Tools 50%) was limited in line with the general slowdown in drilling activity. AAA drilling has shut down and the assets are being sold. There is currently a potential buyer for the Hanjin Rig.

Exploration:

Exploration programmes are ongoing for both Tancoal and Malcoal to support mine site operations and to maintain tenements in good standing.

Total resources are now 485.5 million tonnes comprising 68.8 million tonnes measured, 130.9 million tonnes indicated, and 285.8 million tonnes inferred (see Table 1).

Table 1 – Intra Energy JORC resources

Project	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Tanzania				
Tancoal – North	16.4	49.1	142.0	207.5
Tancoal – South	38.9	63.0	114.0	215.9
Tanzania Total	**55.3**	**112.1**	**256.0**	**423.4**
Malawi				
Kopakopa	3.4	5.0	15.4	23.8
Nkhachira	10.1	13.8	14.4	38.3
Malawi Total	**13.5**	**18.8**	**29.8**	**62.1**
Total Reserves in JORC	**68.8**	**130.9**	**285.8**	**485.5**

Financial:

KCB Bank Tanzania Limited (KCB) has provided the following facilities. All facilities are in place to 30 November 2016, the Term Loan with KCB continues and is being repaid by November 2017. The main terms of the refinancing and facilities are summarised below:

- Term Loan (at call) for USD$1,500,000 at an 8% interest rate to November 2017;
- Bank Guarantee for USD$625,000;
- USD$1,800,000 overdraft facility; and
- Invoice discounting (factoring) facility for USD$500,000.

During the period the overdraft was extended from US$1,000,000 to US$1,800,000. A further temporary extension of US$200,000 was made at the end of December 2016 and approved by KCB on 5 January 2017 while an application for a US$1,000,000 extension is pending.

Directors' Report – (Cont'd)

Corporate Social Responsibility:

Intra Energy continued its support of the Mbalawala Women's Organisation. Other CSR programmes were limited so as to conserve cash.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Consolidated Entity under ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191. The Consolidated Entity is an entity to which the Class Order applies.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the Directors.

Graeme Robertson
Non-Executive Chairman
Dated at Sydney on 15 March 2017

Competent person statement

MBALAWALA

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 and the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010, the Memorandum Summary provided by JB Mining Services Pty Ltd dated 18 October 2012 and have been reviewed by Mr David Mason MBA, BSc (Hons). Mr Mason is a Fellow of the Australasian Institute of Mining and Metallurgy, has Chartered Professional (Management) status, 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 Mason is a Non-Executive Director of Intra Energy Corporation Limited and has sufficient experience to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Mr Mason consents to the inclusion of the matters based on his information in the form and context in which it appears.

SONGWE-KIWIRA (SONGWE KABULO)

The Resource Statement in relation to Songwe-Kiwira and the Memorandum Summary relating to the Ngaka coal leases were compiled by Phillip Sides, a qualified senior geologist employed by JB Mining Services Pty Ltd (JBMS), who has over 25 years' experience in the exploration and evaluation of coal resources. 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". The report has been prepared using the guidelines for the estimation of black coal resources and reserves as contained in The JORC Code.

Neither Mr Sides nor JBMS has any material interest or entitlement, direct or indirect, in the securities of Intra Energy Corporation Limited. JBMS has been providing geological services to Intra Energy Corporation on the Kabulo Project since early 2011.

Mr David Mason, Non-Executive Director of Intra Energy Corporation Limited, originally requested this resource evaluation. All fees for the preparation of this report are charged on a time and materials basis.

Initial evaluation, computer modelling of seam structure and coal quality and initial coal tonnage estimates were undertaken by Greg Jones, Senior Consultant/Director of JBMS prior to handing over responsibility of the resource evaluation to Phillip Sides.

NKHACHIRA AND KOPAKOPA

The information in this report that relates to the Nkhachira and Kopakopa coal resources is based on a report compiled by Mr David Mason. The reporting is in compliance with the 2012 JORC Code. Mr Mason is a qualified coal geologist, a Fellow of the Australasian Institute of Mining and Metallurgy (No 100405) and a Non-Executive Director employed by Intra Energy Corporation Limited. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (The JORC Code – 2012 Edition). Mr Mason has given his consent for the inclusion of this information in the report and has reviewed all statements pertaining to the information in the form and context in which it appears.

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2016

	31-Dec 2016 $'000	31-Dec 2015 $'000
Sales income	9,060	8,517
Cost of production	(7,002)	(4,373)
GROSS PROFIT	2,058	4,144
Foreign exchange gain / (loss)	(116)	(280)
Compliance and regulatory expenses	(134)	(117)
Legal and professional expenses	(132)	(346)
Depreciation and amortisation	(456)	(529)
Remuneration and employee expenses	(1,873)	(1,883)
Exploration expenditure	(75)	(18)
Share of loss of equity-accounted investees	(81)	(106)
Other expenses	(948)	(698)
Finance costs	(151)	(152)
(LOSS)/PROFIT BEFORE INCOME TAX	**(1,908)**	**15**
Income tax benefit/(expense)	-	-
(loss)/PROFIT FROM CONTINUING OPERATIONS	**(1,908)**	**15**
Loss from discontinued operations	(312)	(736)
LOSS FOR THE PERIOD	**(2,220)**	**(721)**
OTHER COMPREHENSIVE INCOME		
Foreign currency translation (loss)/gain	632	(1,042)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(1,588)**	**(1,763)**
NET LOSS FOR THE PERIOD		
Attributed to:		
Shareholders of Intra Energy Corporation Limited	(1,757)	(804)
Non-controlling interest	(463)	83
	(2,220)	(721)
TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD		
Attributed to:		
Shareholders of Intra Energy Corporation Limited	(1,020)	(2,093)
Non-controlling interest	(568)	330
	(1,588)	**(1,763)**
(LOSS)/EARNINGS PER SHARE (cents per share, basic and diluted)		
- Loss per share on continuing and discontinued operations	(0.62)	(0.19)
- (Loss)/Earnings per share on continuing operations	(0.54)	0.04
- (Loss)/Earnings per share on discontinued operations	(0.087)	(0.023)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Financial Position
as at 31 December 2016

	Notes	31-Dec 2016 $'000	30-Jun 2016 $'000
Current Assets			
Cash and cash equivalents		540	65
Inventories		1,193	1,285
Trade and other receivables		2,363	1,775
Total Current Assets		**4,096**	**3,125**
Non-Current Assets			
Property, plant and equipment		6,329	6,632
Mine development costs		5,256	4,917
Exploration expenditure		734	652
Total Non-Current Assets		**12,319**	**12,201**
TOTAL ASSETS		**16,415**	**15,326**
Current Liabilities			
Bank overdraft		2,505	1,355
Trade and other payables		9,470	7,263
Employee benefits		59	59
Interest bearing liabilities	2	1,311	1,967
Liabilities held for sale	3	1,182	1,229
Total Current Liabilities		**14,527**	**11,873**
Non-Current Liabilities			
Provisions		614	591
Total Non-Current Liabilities		**614**	**591**
TOTAL LIABILITIES		**15,141**	**12,464**
NET ASSETS		**1,274**	**2,862**
EQUITY			
Issued capital	4	69,465	69,465
Reserves		3,103	2,364
Accumulated losses		(65,204)	(63,445)
Total equity attributed to equity holders of the Company		**7,364**	**8,384**
Non-controlling interest		(6,090)	(5,522)
TOTAL EQUITY		**1,274**	**2,862**

The Statement of Financial Position should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2016

	Issued Capital	Accumulated Losses	Performance Rights	Option Reserve	Foreign Currency Translation Reserve	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2016	**69,465**	**(63,445)**	**795**	**2,216**	**(647)**	**8,384**	**(5,522)**	**2,862**
Net (loss) for the period	-	(1,757)	-	-	-	(1,757)	(463)	(2,220)
Foreign currency translation differences	-	-	-	-	737	737	(105)	632
Total comprehensive income / (loss)	-	(1,757)	-	-	737	(1,020)	(568)	(1,588)
Transactions with owners recorded directly into equity								
Shares issued during the period	-	-	-	-	-	-	-	-
Balance at 31 December 2016	**69,465**	**(65,202)**	**795**	**2,216**	**90**	**7,364**	**(6,090)**	**1,274**
At 1 July 2015	**69,387**	**(56,075)**	**795**	**2,216**	**(32)**	**16,291**	**(4,880)**	**11,411**
Net profit / (loss) for the period	-	(804)	-	-	-	(804)	83	(721)
Foreign currency translation differences	-	-	-	-	(1,289)	(1,289)	247	(1,042)
Total comprehensive income / (loss)	-	(804)	-	-	(1,289)	(2,093)	330	(1,763)
Transactions with owners recorded directly into equity								
Shares issued during the period	78	-	-	-	-	78	-	78
Balance at 31 December 2015	**69,465**	**(56,879)**	**795**	**2,216**	**(1,321)**	**14,276**	**(4,550)**	**9,726**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes to the Financial Statements.

Financial Statements

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2016

	31-Dec 2016 $'000	31-Dec 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	9,145	8,354
Payments to suppliers and employees	(9,088)	(7,902)
Interest paid	(178)	(290)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(121)**	**162**
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral exploration and development expenditure	(157)	(143)
Purchase of property, plant and equipment	(48)	(359)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	**(205)**	**(502)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,175	969
Repayment of borrowings	(1,484)	(1,092)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**(309)**	**(123)**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(635)	(463)
Effect of exchange rate changes on cash and cash equivalents	(40)	(28)
Cash and cash equivalents at beginning of period	(1,290)	(604)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(1,965)**	**(1,095)**

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.
The Statement of Cash Flows should be read in conjunction with the accompanying notes to the Financial Statements.

1. Summary of Significant Accounting Policies

a) Basis of Preparation

This general purpose half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report does not include all notes of the type normally included in an annual financial report. It is recommended that this half-year financial report should be read in conjunction with the annual report for the period ended 30 June 2016 and any public announcements made by Intra Energy Corporation Limited during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report has been prepared on a historical cost basis.

The interim financial statements have been approved and authorised for issue by the board of directors on 15 March 2017.

b) Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

The Directors note that:

- The Group generated a loss after tax for the half-year of $2.22m (2015: $0.721m) primarily as a result of losses from discontinued operations and share of loss of equity accounted investees being held for sale $0.312m, non-cash depreciation and amortisation charges of $0.456m together with operating losses due to difficult market conditions; and
- As at balance date, the Group's current liabilities exceeded its current assets by $10.431m. The deficit in net current assets includes a $2.505m overdraft payable to KCB Bank of Tanzania (“KCB”) and $1.126m payable to the KCB Bank under loan facilities which expire in November 2017 although these facilities can be called at any time.

In assessing the appropriateness of using the going concern assumption, the Directors have:

- Secured short term additional working capital from KCB of USD$200,000 while an application for an additional USD$1,000,000 is pending. KCB has continued to show support for the improved operating environment now that the Government of Tanzania has banned the import of coal under the directive advised to the market on 12 August 2016.
- Considered the improved market conditions for coal supply where coal sales have increased from 20,006 tonnes in June 2016 to 49,096 tonnes sold in January 2017. Sales are expected to increase further as the Group continues to respond to growing demand in the East African cement and industrial markets segment. The ban on the importation of coal has resulted in increased sales orders and this trend is expected to continue. As Tancoal continues to implement productivity improvements and further initiatives to expand equipment capacity to produce more coal, the working capital position of the Company is expected to improve in the longer term.
- Retained their confidence in the strategic value of the Group as it develops its coal and power station projects across East Africa. IEC is the dominant and growing coal miner and supplier to industrial energy users in the Eastern African region and is advancing coal-fired power generation projects in Tanzania. Eastern Africa is one of the fastest growing regions in the world with national growth rates between 5% and 8%.
- Continued the sale of assets in the Malawi business and the AAA Drilling joint venture.
- Recognised that the interest bearing liabilities relating to the loans from the KCB are secured against the Group’s mining equipment.
- Noted JORC compliant resources of 62 million tonnes in Malawi and 423 million tonnes at the Tancoal mine in Tanzania.

After considering the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. However if improved coal sales, cost saving initiatives or working capital improvements are not achieved or if the KCB Bank of Tanzania demands repayment of their combined $3.631m debt facility, the Group will be required to raise further debt or equity or divest assets to continue as a going concern.

Whilst the Directors remain confident in the Group’s ability to access further working capital through debt, equity or asset sales if required, there remains material uncertainty as to whether the Group will continue as a going concern.

1. Summary of Significant Accounting Policies – (Cont'd)

Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of certain assets, and the classification and measurement of certain liabilities to reflect the fact that the

Group may be required to realise its assets and settle its liabilities other than in the ordinary course of business, and at amounts different from those stated in the consolidated financial statements.

c) Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of these amendments has not resulted in any changes to the Consolidated Entity's accounting policies and has no material effect on the amounts reported for the current or prior periods.

d) Significant accounting judgements, estimates and assumptions

In the application of the Consolidated Entity's accounting policies management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Rehabilitation expenditure

The mining, extraction and processing activities of the Company give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal of treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation programme are recognized at the time the environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of rehabilitation activities is recognized in 'Mine Development Costs' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each Consolidated Statement of Financial Performance date and the costs charged to the Statement of Profit or Loss and Other Comprehensive Income in line with remaining future cash flows.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production and includes expenditure in accumulating the inventories, production costs and other costs incurred in bringing them to their existing location and condition. Stockpile tonnages are verified by periodic surveys.

1. Summary of Significant Accounting Policies – (Cont'd)

Recoverability of exploration and evaluation expenditure

The recoverability of the capitalised acquisition expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

2. Interest bearing liabilities

	31-Dec 2016 $'000	30-Jun 2016 $'000
Current		
Secured loan facility	685	1,010
Invoice discounting facility	441	399
Insurance premium funding	60	145
Related party convertible note	125	125
Hire purchase	-	288
	1,311	**1,967**

Secured loan facility

The secured loan and invoice discounting facilities are with KCB Bank Tanzania Limited ("KCB"). The invoice discounting facility has been extended to November 2017 and the Term loan remains to be paid by November 2017. The main terms of the facilities (current liabilities) are summarised below:

- Term Loan (at call) for USD$1,500,000 at an 8% interest rate;
- Invoice discounting (factoring) facility for USD$500,000.

The loan is classified as current debt as the KCB retains the right to demand immediate repayment of the facility.

The Insurance premium funding terms are;

- Macquarie Premium Funding balance of A$35,728 to be paid by 31 May 2017;
- Commercial Bank of Africa Ltd TZS 21,988,245 that was paid by 28 February 2017;
- Commercial Bank of Africa Ltd USD$ 9,848 that was paid by 28 February 2017.

The Convertible Notes are at a face value of $0.004 and interest is 2% per month payable monthly.

3. Disposal group held for sale

On 1 March 2016 the Company advised that transaction documents had been exchanged for the sale of its Malawian subsidiaries and that further announcements would be made when the sale is finalised. Accordingly the Malawi Group is presented as a disposal group held for sale. The sale of the disposal group is expected to be completed within the financial year. The carrying value of the assets has been fully impaired in prior year in light of lengthy negotiations with the Malawi government and ongoing logistical issues with the operation of the mine.

As at 31 December 2016, the disposal group was stated at fair value and comprised the following assets and liabilities:

	$'000s
Property, plant and equipment	341
Mine development and exploration costs	1,323
Inventories	1
Trade and other receivables	26
Less: Provision for impairment	(1,691)
Assets held for sale	-
Trade and other payables	1,175
Provisions	7
Liabilities held for sale	**1,182**

4. Issued capital

	31-Dec 2016 $'000	30-Jun 2016 $'000
Fully Paid Ordinary Shares		
356,474,030 shares (30 June 2016: 356,474,030 ordinary shares)	69,465	69,465

During the period to 31 December 2016 there were no shares issued in the Company.

5. Post Balance Date Events

On 5 January 2017 it was announced that a temporary overdraft facility of US$200,000 had been approved.

Other than the above, there has not arisen in the interval between 31 December 2016 and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, in future financial years.

6. Contingent liabilities and Contingent Assets

The supplier of the hire purchase contracts in Malawi has brought a legal claim for penalties as part of the cancellation of the arrangement against the subsidiary company Malcoal Mining Limited. The company is defending the claim but the contingent liability may be up to $500,000 in addition to costs accounted for in the accounts.

Tancoal Energy Limited in Tanzania is defending a legal claim brought by NBC bank for recovery of money paid under a letter of credit arrangement in 2013, the company is defending the claim but the potential liability may be up to US$470,000.

NBC bank has brought a legal claim against AAA Drilling Limited, a 50% joint venture, to recover a loan of US$177,000. The loan is accounted for in the joint venture accounts but there is a contingent liability for costs and Intra Energy Limited (Tanzania) is the guarantor of the loan, the contingent liability may be up to US$100,000.

Other than the above, the Directors are not aware of any contingent liabilities or contingent assets at 31 December 2016.

7. Segment Information

The Consolidated Entity operates in two geographical segments being Australia and Africa.

Segment information

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Consolidated Entity's business is coal exploration, production and the provision of drilling services in Eastern Africa.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Consolidated Entity.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

7. Segment Information (Cont'd)

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Consolidated Entity as a whole and are not allocated. Segment liabilities include trade and other payables.

7. Segment Information – (Cont'd)

Geographical Segment	Australia Period Ended 31-Dec-16 $'000	Australia Period Ended 31-Dec-15 $'000	Africa Period Ended 31-Dec-16 $'000	Africa Period Ended 31-Dec-15 $'000	Eliminations Period Ended 31-Dec-16 $'000	Eliminations Period Ended 31-Dec-15 $'000	Consolidated Period Ended 31-Dec-16 $'000	Consolidated Period Ended 31-Dec-15 $'000
Revenue								
Sales revenue	-	-	9,060	8,517	-	-	9,060	8,517
Inter segment revenue	483	345	-	-	(483)	(345)	-	-
Total revenue	483	345	9,060	8,517	(483)	(345)	9,060	8,517
Cost of production	-	-	(7,002)	(4,373)	-	-	(7,002)	(4,373)
Gross Profit	**483**	**345**	**2,058**	**4,144**	**(483)**	**(345)**	**2,058**	**4,144**
Other income	-	-	-	-	-	-		-
Other operating expenses	(795)	(610)	(3,047)	(3,183)	483	345	(3,359)	(3,448)
Profit/(loss) before impairment, depreciation, amortisation, net finance costs	**(312)**	**(265)**	**(989)**	**961**	**-**	**-**	**(1,301)**	**696**
Impairment								
Depreciation							(439)	(514)
Amortisation							(17)	(15)
Results from operating activities							(1,757)	167
Finance income								-
Finance expenses							(151)	(152)
Profit/(loss) Before Tax							**(1,908)**	**15**
Income tax benefit/(expense)							-	-
Profit from continuing operations							**(1,908)**	**15**
Loss from discontinued operations							(312)	(736)
Loss for the period							**(2,220)**	**(721)**

7. Segment Information – (Cont'd)

Geographical Segment	Australia Period Ended 31-Dec-16 $'000	Australia Period Ended 30-Jun-16 $'000	Africa Period Ended 31-Dec-16 $'000	Africa Period Ended 30-Jun-16 $'000	Eliminations Period Ended 31-Dec-16 $'000	Eliminations Period Ended 30-Jun-16 $'000	Consolidated Period Ended 31-Dec-16 $'000	Consolidated Period Ended 30-Jun-16 $'000
Balance per statutory accounts								
Total assets	4,320	4,318	16,025	16,477	(3,930)	(5,469)	16,415	15,326
Total liabilities	(1,431)	(1,145)	(55,452)	(52,641)	41,742	41,322	(15,141)	(12,464)

Directors' Declaration

In accordance with a resolution of the Directors of Intra Energy Corporation Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Consolidated Entity, as set out on pages 8 to 18:

   (i) give a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the Consolidated Entity; and

   (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Graeme Robertson
Executive Chairman
Dated at Sydney on 15 March 2017

SYDNEY

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INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES
ABN 65 124 408 751

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTRA ENERGY CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Intra Energy Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Intra Energy Corporation Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity,in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Intra Energy Corporation Limited's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Intra Energy Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

HALL CHADWICK (NSW)

INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES
ABN 65 124 408 751

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTRA ENERGY CORPORATION LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Intra Energy Corporation Limited is not in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of Intra Energy Corporation Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (b) in the financial report which indicates that the consolidated entity has incurred a net loss of $2,220,000, during the half year ended 31 December 2016 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $10,431,000. As stated in Note 1 (b) these conditions, along with other matters as set forth in Note 1 (b) indicate that a material uncertainty exists that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 15 March 2017

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INTRA ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES
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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF INTRA ENERGY CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Intra Energy Corporation Limited and the entities it controlled during the half-year.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 15 March 2017