# INTRA ENERGY CORPORATION LIMITED

## ABN 65 124 408 751

## HALF YEAR FINANCIAL REPORT

## 31 DECEMBER 2017

## Contents

## Directors' Report

The Directors submit their report for the half year ended 31 December 2017.

### 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 Nolan
Mr Troy Wilson (appointed 12 October 2017)
Mr Michael Addison (resigned 28 September 2017)

### 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 2017 was $1,388,000 (31 December 2016: $2,220,000).

### 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 (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 and Rwanda.

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 17 HY** | **Dec 16 HY** |
|---|---|---|
| Coal Sold (tonnes) | 258,253 | 179,452 |
| **PRODUCTION** | **Dec 17 HY** | **Dec 16 HY** |
| Overburden Stripped (BCM) | 1,473,377 | 899,871 |
| Coal Mined (tonnes) | 294,524 | 179,280 |

## Directors' Report – (Cont'd)

The government of Tanzania banned the importation of coal in late August 2016 and sales and coal prices have slowly improved. Although orders have not yet achieved the approximate tonnage of 60,000 per month that customers indicated to both the Ministry of Energy and Minerals and Tancoal would be achieved in 2017, the growth in sales is positive and along with improvements in the efficiency of mining operations, the loss reported for the half-year was mainly incurred in the first quarter while the second quarter recorded a near break-even financial result.

Tancoal has now secured "take or pay" contracts for 34,000 tonnes per month under contract and has undertaken marketing work in Kenya and other regional markets to increase sales to match equipment capacity of more than 60,000 tonnes.

Tancoal has further increased its mining capacity with the purchase of a new Crushing and Screening Plant ("Plant") during the half-year. The Plant was commissioned and began operating in January 2018. The Plant will improve the overall efficiency of the mining operations and the consistency of the supply of sized coal in demand by the East African customers. KCB Bank of Tanzania continued its support Tancoal by providing finance for the purchase.

***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 December 2016 to scale right back to the minimum number of employees to maintain the assets. The assets of the Malawi Group were fully impaired at 30 June 2016. The loss from discontinued operations in the period to 31 December was $69,000 (31 December 2016: $312,000).

Discussions were entered into with a potential buyer for Malcoal and a Share Purchase Agreement was signed, however negotiations have not proceeded to a sale. There has been further interest from potential purchasers in the Malawi assets and the Company continues working to progress a sale.

***Projects:***

Project Ngaka (Tanzania)

In November 2015, IEC announced that it had executed a memorandum of understanding ("MOU") with Sinohydro Corporation Limited ("Sinohydro") to assess the potential joint development of its 270 MW Ngaka coal-fired power mine mouth project, located near the Tancoal Mine in Tanzania. The MOU sets out the intention of IEC and Sinohydro to complete a feasibility study and a financing proposal for the project, and to negotiate a Joint Venture Agreement for the development of the project. Sinohydro will be the major shareholder with IEC holding a minor share.

Project Ngaka will use high quality, low sulphur thermal coal from the Tancoal Mine located in south western Tanzania. It is proposed to site the generating facilities adjacent to Tancoal's northern coal deposit while the southern coal deposit will continue to meet the growing industrial and cement requirements of Tanzania and its neighbours. A feasibility study for the development of the coal resources to supply feedstock to the proposed power station was delivered to the Tanzanian Government in October 2016.

Sinohydro is a driving force behind China's industrial development. It has 130,000 employees and provides one-stop services for financing, engineering, purchasing, implementation and operation of projects for power, water conservation, transport infrastructure and civil works such as public and private buildings.

IEC believes that Sinohydro will be an excellent strategic co-developer for Project Ngaka.

## Directors' Report – (Cont'd)

***Project Pamodzi (Malawi)***

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 entities, with Tancoal securing an option to supply coal to the power station in Malawi, located across Lake Nyasa from Tancoal. As the sale of the Malawi assets has not settled, IEC may consider alternative options for the power project.

***Drilling:***

The sale of assets in AAA Drilling Limited is ongoing. All funds from asset sales are applied to the liabilities of the Company.

***Exploration:***

Limited exploration was undertaken during the period, with expenditure continuing to be controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

IEC's total resources no longer include the resource for Malawi. The resources in Tanzania have been amended to show additional data on the Tancoal – North tenement.

**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 an 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.

***Financial:***

KCB Bank Tanzania Limited (KCB) has provided the following facilities. All facilities are in place with a review due in April 2018. The Term Loan with KCB was repaid in November 2017. The main terms of the refinancing and facilities are summarised below:

- Term Loan for US$936,000 for new Crusher and Screening Plant;
- Bank Guarantee for US$625,000, US$194,000 of the facility remains unused;
- US$1,800,000 overdraft facility;
- Invoice discounting (factoring) facility for US$500,000; and
- Term Loan (at call) for US$1,500,000 at 8% interest rate, repaid in November 2017.

## 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 21.

Signed in accordance with a resolution of the Directors.

**Graeme Robertson**
**Non-Executive Chairman**
**Dated at Sydney this 13th of March 2018**

# Financial Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2017

| | 31-Dec 2017 $'000 | 31-Dec 2016 $'000 |
|---|---|---|
| Sales income | 15,088 | 9,060 |
| Cost of production | (13,334) | (7,002) |
| **GROSS PROFIT** | 1,754 | 2,058 |
| | | |
| Foreign exchange loss | (44) | (116) |
| Compliance and regulatory expenses | (162) | (134) |
| Legal and professional expenses | (206) | (132) |
| Depreciation and amortisation | (381) | (456) |
| Remuneration and employee expenses | (1,021) | (1,873) |
| Exploration expenditure | (9) | (75) |
| Share of loss of equity-accounted investees | (67) | (81) |
| Other expenses | (963) | (948) |
| Finance costs | (220) | (151) |
| **LOSS BEFORE INCOME TAX** | **(1,319)** | **(1,908)** |
| Income tax benefit/(expense) | - | - |
| **LOSS FROM CONTINUING OPERATIONS** | **(1,319)** | **(1,908)** |
| Loss from discontinued operations | (69) | (312) |
| **LOSS FOR THE PERIOD** | **(1,388)** | **(2,220)** |
| **OTHER COMPREHENSIVE INCOME** | | |
| Foreign currency translation (loss)/gain | (273) | 632 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD** | **(1,661)** | **(1,588)** |
| | | |
| **NET LOSS FOR THE PERIOD** | | |
| **Attributed to:** | | |
| Shareholders of Intra Energy Corporation Limited | (1,037) | (1,757) |
| Non-controlling interest | (351) | (463) |
| | **(1,388)** | **(2,220)** |
| **TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD** | | |
| **Attributed to:** | | |
| Shareholders of Intra Energy Corporation Limited | (1,410) | (1,020) |
| Non-controlling interest | (251) | (568) |
| | **(1,661)** | **(1,588)** |
| **(LOSS) PER SHARE (cents per share, basic and diluted)** | | |
| - Loss per share on continuing and discontinued operations | (0.36) | (0.62) |
| - Loss per share on continuing operations | (0.34) | (0.54) |
| - Loss per share on discontinued operations | (0.02) | (0.08) |

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 2017

| | Notes | 31-Dec 2017 $'000 | 30-Jun 2017 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 1,184 | 84 |
| Inventories | | 2,332 | 1,906 |
| Trade and other receivables | | 2,157 | 2,612 |
| **Total Current Assets** | | **5,673** | **4,602** |
| | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 6,830 | 5,896 |
| Mine development costs | | 4,640 | 4,782 |
| Exploration expenditure | | 566 | 514 |
| **Total Non-Current Assets** | | **12,036** | **11,192** |
| | | | |
| **TOTAL ASSETS** | | **17,709** | **15,794** |
| | | | |
| **Current Liabilities** | | | |
| Bank overdraft | | 2,228 | 2,363 |
| Trade and other payables | | 15,160 | 11,935 |
| Employee benefits | | 46 | 33 |
| Interest bearing liabilities | 2 | 1,473 | 1,039 |
| Liabilities held for sale | 3 | 1,101 | 1,105 |
| **Total Current Liabilities** | | **20,008** | **16,475** |
| | | | |
| **Non-Current Liabilities** | | | |
| Provisions | | 671 | 628 |
| **Total Non-Current Liabilities** | | **671** | **628** |
| | | | |
| **TOTAL LIABILITIES** | | **20,679** | **17,103** |
| | | | |
| **NET LIABILITIES** | | **(2,970)** | **(1,309)** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 4 | 69,590 | 69,590 |
| Reserves | | 1,400 | 1,773 |
| Accumulated losses | | (67,746) | (66,709) |
| | | | |
| **Total equity attributed to equity holders of the Company** | | **3,244** | **4,654** |
| Non-controlling interest | | (6,214) | (5,963) |
| **TOTAL EQUITY** | | **(2,970)** | **(1,309)** |

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 2017

| | 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 2017** | **69,590** | **(66,709)** | **795** | **2,216** | **(1,238)** | **4,654** | **(5,963)** | **(1,309)** |
| Net (loss) for the period | - | (1,037) | - | - | - | (1,037) | (351) | (1,388) |
| Foreign currency translation differences | - | - | - | - | (373) | (373) | 100 | (273) |
| **Total comprehensive income / (loss)** | - | (1,037) | - | - | (373) | (1,410) | (251) | (1,661) |
| **Transactions with owners recorded directly into equity** | | | | | | | | |
| Shares issued during the period | - | - | - | - | - | - | - | - |
| **Balance at 31 December 2017** | **69,590** | **(67,746)** | **795** | **2,216** | **(1,611)** | **3,244** | **(6,214)** | **(2,970)** |
| **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** |

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 2017

| | 31-Dec 2017 $'000 | 31-Dec 2016 $'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | 16,652 | 9,145 |
| Payments to suppliers and employees | (14,283) | (9,088) |
| Interest paid | (220) | (178) |
| **NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES** | **2,149** | **(121)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Mineral exploration and development expenditure | (114) | (157) |
| Purchase of property, plant and equipment | (1,506) | (48) |
| **NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES** | **(1,620)** | **(205)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | 1,793 | 1,175 |
| Repayment of borrowings | (1,130) | (1,484) |
| **NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES** | **663** | **(309)** |
| **NET MOVEMENT IN CASH AND CASH EQUIVALENTS** | 1,192 | (635) |
| Effect of exchange rate changes on cash and cash equivalents | 43 | (40) |
| Cash and cash equivalents at beginning of period | (2,279) | (1,290) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **(1,044)** | **(1,965)** |

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 2017 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 12 March 2018.

**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 $1.388m (2016: $2.22m) primarily as a result of non-cash depreciation and amortisation charges of $0.381m together with operating losses due to difficult market conditions in the first quarter; and
- As at balance date, the Group's current liabilities exceeded its current assets by $14.34m. The deficit in net current assets includes a $2.228m overdraft payable to KCB Bank of Tanzania ("KCB") under loan facilities which can be called at any time.

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

- Secured funding in August 2017 from KCB of US$936,0000 for the purchase of a new crusher and screening plant that was commissioned during the half-year and is improving efficiency and delivering quality sized coal for demand in the East African market. 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 and coal sales have continued to increase as the Group responds 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, the working capital position of the Company is expected to improve in the longer term.
- Continued to implement a number of cost saving initiatives and enter into repayment arrangements with creditors to preserve working capital.
- 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%.
- Continues to seek buyers for the sale of assets in the Malawi business that has a JORC compliant resource of 63 million tonnes and the AAA Drilling joint venture.
- Recognised that the interest-bearing liabilities relating to the loans from KCB are secured against the Group's mining equipment.
- Noted JORC compliant resources of 357 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 KCB Bank of Tanzania demands repayment of their combined $4.947m debt facility ($3.360m at 30 December 2017), 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 2017. 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 2017 $'000 | 30-Jun 2017 $'000 |
|---|---|---|
| **Current** | | |
| Secured loan facility | - | 574 |
| Secured loan facility – crushing and screening plant | 1,132 | - |
| Invoice discounting facility | - | 110 |
| Insurance premium funding | 66 | 75 |
| Hire purchase | 275 | 280 |
| | **1,473** | **1,039** |

**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 April 2018 and the Term loan was repaid in November 2017. The main terms of the facilities (current liabilities) are summarised below:

- Term Loan (at call) for USD$936,000 at an 8% interest rate for the purchase of the crushing and screening plant;
- Invoice discounting (factoring) facility for USD$500,000, no liability at 31 December 2017.

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

The Insurance premium funding terms are;

- Macquarie Premium Funding balance of A$44,224 to be paid by 31 May 2018;
- Commercial Bank of Africa Ltd TZS 37,996,146 that was paid by 28 February 2018;

## 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 carrying value of the assets was fully impaired as at 30 June 2016. The sale negotiations have not proceeded to a sale but the Company is working to progress a sale with other potential purchasers. As at 31 December 2017, the disposal group was stated at fair value and comprised the following assets and liabilities:

| | 31-Dec 2017 $'000s | 30-Jun 2017 $'000s |
|---|---|---|
| Property, plant and equipment | 234 | 228 |
| Mine development and exploration costs | 1,199 | 1,218 |
| Inventories | 1 | 1 |
| Trade and other receivables | 8 | 8 |
| Less: Provision for impairment | (1,442) | (1,465) |
| **Assets held for sale** | **-** | **-** |
| | | |
| Trade and other payables | 1,094 | 1,098 |
| Provisions | 7 | 7 |
| **Liabilities held for sale** | **1,101** | **1,105** |

## 4. Issued capital

| | 31-Dec 2017 $'000 | 30-Jun 2017 $'000 |
|---|---|---|
| **Fully Paid Ordinary Shares** | | |
| 387,724,030 shares (30 June 2017: 387,724,030 ordinary shares) | 69,590 | 69,590 |

During the period to 31 December 2017 there were no shares issued in the Company.

## 5. Post Balance Date Events

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 US$628,000. The claim was still pending at 31 December 2017.

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 contingent liability may be up to US$470,000. NBC without authority withdrew US$230,000 from a Tancoal bank account during the year to apply against the contingent liability, Tancoal has brought a claim against NBC for the money to be returned.

The Tanzania Minerals and Audit Agency (TMAA) has made a claim to Tancoal for US$160,000 for royalty that it has deemed payable on the transport portion of invoices to customers raised in 2014. The company has lodged an appeal against the claim and it is still outstanding at 31 December 2017.

Other than the above, the Directors are not aware of any contingent liabilities or contingent assets at 31 December 2017.

## 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.

## 7. Segment Information (cont)

*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.

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-17 $'000 | Australia Period Ended 31-Dec-16 $'000 | Africa Period Ended 31-Dec-17 $'000 | Africa Period Ended 31-Dec-16 $'000 | Eliminations Period Ended 31-Dec-17 $'000 | Eliminations Period Ended 31-Dec-16 $'000 | Consolidated Period Ended 31-Dec-17 $'000 | Consolidated Period Ended 31-Dec-16 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Sales revenue | - | - | 15,088 | 9,060 | - | - | 15,088 | 9,060 |
| Inter segment revenue | 538 | 483 | - | - | (538) | (483) | - | - |
| Total revenue | 538 | 483 | 15,088 | 9,060 | (538) | (483) | 15,088 | 9,060 |
| Cost of production | - | - | (13,334) | (7,002) | - | - | (13,334) | (7,002) |
| **Gross Profit** | **-** | **-** | **1,754** | **2,058** | **(538)** | **(483)** | **1,754** | **2,058** |
| Other income | - | - | - | - | - | - | | |
| Other operating expenses | (659) | (795) | (2,351) | (3,047) | 538 | 483 | (2,472) | (3,359) |
| **Profit/(loss) before impairment, depreciation, amortisation, net finance costs** | **(121)** | **(312)** | **(597)** | **(989)** | **-** | **-** | **(718)** | **(1,301)** |
| Impairment | | | | | | | | |
| Depreciation | | | | | | | (381) | (439) |
| Amortisation | | | | | | | | (17) |
| Results from operating activities | | | | | | | (381) | (1,757) |
| Finance income | | | | | | | | - |
| Finance expenses | | | | | | | (220) | (151) |
| **Profit/(loss) Before Tax** | | | | | | | (1,319) | (1,908) |
| Income tax benefit/(expense) | | | | | | | - | - |
| **Profit from continuing operations** | | | | | | | (1,319) | (1,908) |
| Loss from discontinued operations | | | | | | | (69) | (312) |
| **Loss for the period** | | | | | | | (1,388) | (2,220) |

## 7. Segment Information – (Cont'd)

| Geographical Segment | Australia Period Ended 31-Dec-17 $'000 | Australia Period Ended 30-Jun-17 $'000 | Africa Period Ended 31-Dec-17 $'000 | Africa Period Ended 30-Jun-17 $'000 | Eliminations Period Ended 31-Dec-17 $'000 | Eliminations Period Ended 30-Jun-17 $'000 | Consolidated Period Ended 31-Dec-17 $'000 | Consolidated Period Ended 30-Jun-17 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance per statutory accounts** | | | | | | | | |
| Total assets | 4,296 | 4,228 | 17,188 | 15,233 | (3,775) | (3,667) | 17,709 | 15,794 |
| Total liabilities | (1,239) | (1,277) | (55,320) | (53,401) | 36,551 | 37,575 | (20,008) | (17,103) |

## 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 7 to 17:

(i) give a true and fair view of the financial position as at 31 December 2017 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 this 13th day of March 2018**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

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

# 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 2017, 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 Interim Financial Report*

The directors of Intra Energy Corporation Limited are responsible for the preparation of the interim 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 interim 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 2017 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.

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

**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 2017 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 group incurred a net loss of $1,388,000 during the half-year ended 31 December 2017 and as at that date the group's current liabilities exceeded its current assets by $14,335,000. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. 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: 13 March 2018

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

**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 2017 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.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
Dated: 13 March 2018