

## QUARTERLY ACTIVITIES REPORT

### June 2020

- Intrafrican Resources Gold Project in Mozambique - second new area found
- IEC Consultant Review of Intrafrican Resources Lurio Gold Project investment
- New Website for IEC - <http://intraenergycorp.com.au>
- Tancoal Sales and Production lower due to Covid-19
- Tancoal Sales in Q4– 82,471 tonnes
- Tancoal Production in Q4 – 75,619 tonnes
- Tancoal Coal stocks available to meet demand

### INTRAFRICAN RESOURCES

Intrafrican Resources Limited ("Intrafrican"), a fully owned subsidiary of Intra Energy Corporation Limited ("IEC" or "the Company") registered in Mauritius has invested in Intra Minerals Limited ("IML"), a company registered in Mauritius. Intrafrican currently owns 15% of IML which is the 95% owner of the Lurio Gold Project in Mozambique. Intrafrican is investigating options to raise capital to continue with the exploration program in the Lurio Gold Project with a drilling campaign as well as increase its equity substantially in IML.

The exploration project currently comprises a 168.56 km<sup>2</sup> large prospecting license (8416L) in the historically underexplored Lúrio Belt, an initial trenching and sampling program has been completed at Savane, a prospective area within the prospecting license. A new gold bearing area has been located approximately 2 kilometres from the original Savanne Area. The second area exhibits visible gold in quartz veining. Samples of quartz and soil have been taken, crushed and prepared for washing with evidence of gold in the samples. Once borders re-open from the COVID19 closures, samples will be taken for laboratory testing in South Africa.

An independent expert, Benedikt Steiner (CGeol EurGeol), has been retained by IML to advise on the project and has completed a non-JORC technical report summarising and evaluating the exploration activities on the project from 2016 to 2020. Mr Steiner's initial observations confirmed the validity of the exploration project, which is currently considered to be a potential open-cut mining target, and represents an encouraging first-mover opportunity into a much larger prospective area.

IEC has engaged Mr Kim Stanton-Cook, an exploration/development geologist with 45 years' experience in mineral exploration industry. Mr Stanton-Cook's expertise covers a wide region from Australia to the Americas, Asia to Africa and he has been responsible for the development of well-known Australian mining operations as a Chief Geologist or Exploration manager. His upcoming role is to act as its consultant in the development of the Lurio Gold Project. Mr Stanton-Cook has reviewed work done to

date and has advised that the Project has merit and should move into the drilling stage which gives solid reason why the area should be considered as highly prospective. Prior to intense deformation and high-grade metamorphism, the evolving arc may well have, in its early stages, contained porphyry copper and epithermal gold deposits like those on the west coasts of the Americas where the Pacific Plate is currently subducting. Granulite facies metamorphism will have cooked and remobilised those metals and the Savane area in the Lurio Concession may well represent an end-member of this process.

## TANCOAL ENERGY

Intra Energy Corporation (IEC) is the dominant coal supplier to industrial energy users in the Eastern African region. Its 70% owned Tancoal mine in Tanzania which is also 30% owned by the National Development Corporation of Tanzania (NDC) is the largest operational coal mine in Tanzania and East Africa, and is manned exclusively by Tanzanians.

## MINING OPERATIONS

**IEC Group Production and Sales**

	Quarter Ended		
	Jun-20	Jun-19	Var (%)
Overburden Stripped (bcm)	370,518	826,636	-55.18%
Coal mined (tonnes)	75,619	191,633	-60.54%
Sold (tonnes)	82,471	177,381	-53.51%

Production and sales have been solely from the Tancoal Mine.

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

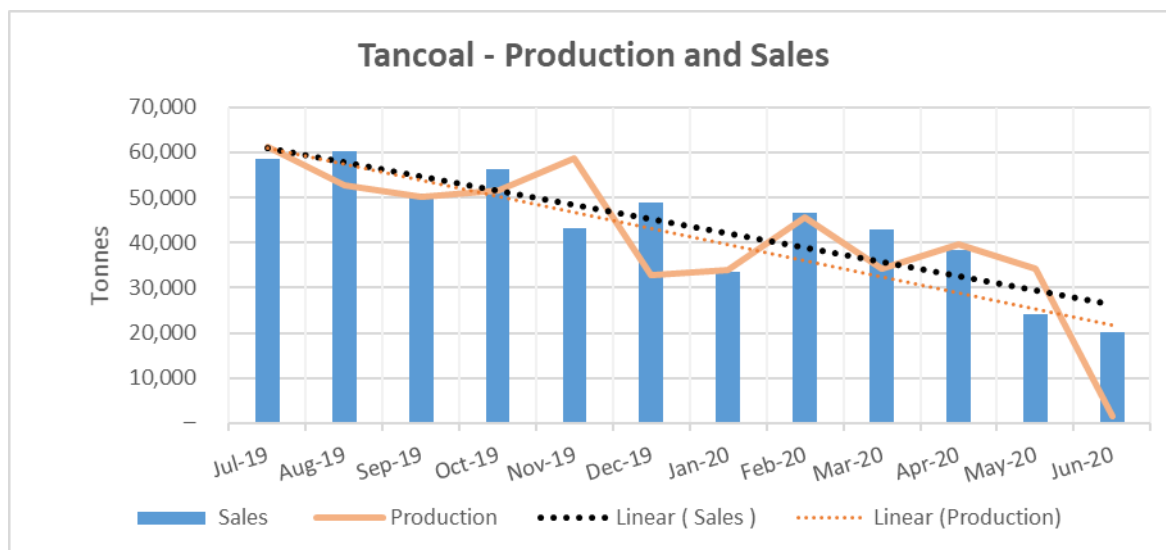
	Quarter Ended	
	Jun-20	Jun-19
Tanzania	69.60%	67.43%
Kenya	14.92%	20.27%
Rwanda	9.76%	2.99%
Uganda	5.72%	9.31%

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

	Quarter Ended	
	Jun-20	Jun-19
Cement	51.48%	55.51%
Ceramics	35.70%	31.77%
Textiles	2.30%	5.37%
Other	10.52%	7.35%

The cement industry remained the main customer during the quarter. The marketing objective continues to be the lessening dependence on the cement industry and broadening the supply of coal into regional and seaborne industrial and power station markets.

### **Tancoal (Tanzania)**



Tancoal's sales for the quarter continued to reduce significantly. This has been due to a variety of factors - the Covid-19 shutting regional borders and preventing exports as well as declining industrial production domestically. Several new coal mines have emerged and are buying market share at lower prices than Tancoal and the royalty on road transport which has eroded margins from trade and placed pressure on coal prices

Discussions continue with the Ministry of Minerals for a moratorium on the assessment for past charges for royalty on transport to customers' business premises and discussions are also continuing with the former contractor, Caspian, to extend the payment plan for the three final payments due to tight cash flow from lower sales.

Tanzania has advised that cases of Covid-19 have reduced, airports and some schools and colleges have been opened and people are advised to continue to take precautions. Tancoal has implemented company policies to educate and protect its staff and contractors.

## **ENERGY**

IEC continues to investigate partnership arrangements for the development of a mine-mouth power station, however the Government has not given an approval for a coal-fired power station for southern Tanzania at this stage. Until such time a license is granted, there will be no further reporting on this matter.

## MALAWI

Operations and expenditure have ceased except for finalisation of rehabilitation on the site. The mining licence has been relinquished.

## EXPLORATION

Coal exploration is concentrated on tenements being maintained in good standing and supporting mine development work. Gold exploration continues through an associated company, Intra Minerals Limited (Mauritius) in the Cabo Delgado and Nampula Provinces of Mozambique. The initial gold exploration programme ended with the advent of the wet season in December/January. Gold and other minerals are being explored by Intrafrican Resources Limited, formerly known as AAA Drilling Limited (Mauritius) which will host the diversification of IEC into mineral exploration and services. It is expected to restart prospecting operations in July

## CORPORATE

Cashflow	Current Quarter A\$ '000	Year to Date (12 months) A\$ '000
<b>Cash at beginning of the Quarter</b>	<b>(980)</b>	<b>(243)</b>
Operating	383	1,809
Investing	(19)	(2,710)
Financing	(378)	(185)
Exchange Rate Adjustments	29	(6)
<b>Cash at end of Quarter</b>	<b>(965)</b>	<b>(965)</b>

- The bank overdraft limit with KCB Bank Tanzania Limited ("KCB") was US\$0.9 million, (A\$1.311 million) at 30 June 2020.
- Bank Facilities with KCB Bank of Tanzania were renewed in September 2019 on the same terms and conditions.
- The appeal of the TRA assessment of VAT to Tancoal, from the commencement of mining to June 2015 of approx. 3 million US dollars of which approx. 50% is interest and penalties, is ongoing.
- The tax investigation unit of the TRA has commenced an audit from the incorporation of the company to the current period, the investigation is ongoing.
- In January 2020, the Prevention and Combating of Corruption Bureau ("PCCB") commenced an investigation into Tancoal covering the period from the start of the company. Tancoal has not been advised of the reason for the investigation and is providing all documents as requested, the investigation is ongoing.
- The High Court of Tanzania (Commercial Division) in the NBC Bank case ruled in favour of Tancoal (refer ASX announcement 8 April 2019). NBC referred an appeal to the Court of Appeal of Tanzania and all the preliminary steps and processes have been done. The case now awaits a Summons for the date the hearing of the appeal will commence.

### **Community**

- The Mbalawala Women's Organisation ("MWO") in Tanzania that has been supported by the company for many years continues to go from strength to strength as their operations expand with the growth of the mine.
- Tancoal's Corporate Social Responsibility ("CSR") plan for 2021 is being submitted.

### **OUTLOOK**

Intrafrican Resources Limited (IRL) is focussing on the development of the gold resources of Intra Minerals Limited (IML) which owns 95% of the Minas Do Lurio prospecting license in Mozambique. Mr Winston Theler, the COO of IML is based in Mozambique and is commencing further prospecting operations under a contract geologist. IEC has engaged Mr Stanton-Cook as its and IRL's consulting geologist. IML/IRL are also contracting a local international firm of gold mine operators to advise on expected OPEX and CAPEX requirements. IRL is negotiating an agreement with IML to acquire approximately an additional 30% of equity for the payment of US\$1.3 Million which will be 100% directed to exploration and development in addition to its existing 15%. IRL is also reviewing financial arrangements to raise capital to both increase its shareholding and fund the further work required to focus on an area for early production. As IRL is established in Mauritius, it is the intention to list shares on the Second Board of the Stock Exchange of Mauritius subject to relevant approvals. It is the intention of IRL to support IML's emphasis on early production of physical gold prior to the exploration to build a JORC resource.

The performance of Tancoal Energy Limited (Tancoal) has disappointed and despite good mining production and efficient operations, its share of market has slowed considerably. Covid19, inclement weather, industrial downturn, border restrictions, transportation royalties and nearby small-scale coal producers have combined to produce the perfect storm. Tancoal is seen as an expensive producer of high-quality coal and some consumers are buying very cheap low quality product to blend with the better quality Tancoal product which has reduced market share. Long term, Tancoal is in a better position as it is expected that the small local mines will need to reduce cheap coal production and market penetration. In the meantime, the mine will attempt to reduce production costs.

***This report has been authorised for release by the Board of Directors.***

For further information please contact:

#### **Shareholder Enquiries**

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Tenement ID	Country	Company	% Ownership	Locality	Minerals	Status
PL 7620/2012	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	2 <sup>nd</sup> Renewal pending
PL 7713/2012	Tanzania	Tancoal	100	Mhukuru	coal	active
PL 8999/2013	Tanzania	Tancoal	100	Mbalawala East	coal	active
ML 439/2011	Tanzania	Tancoal	100	Tancoal	coal	Active
PL 7391/2011	Tanzania	Tancoal	100	Mbalawala	coal	active
PL 9807/2014	Tanzania	Tancoal	100	Mbamba bay	coal	active
ML/608/19	Tanzania	Tancoal	100	Mbuyura/Mkapa	coal	ML Application recommended
ML/609/19	Tanzania	Tancoal	100	Mbuyura	coal	ML Application recommended
ML610/20	Tanzania	Tancoal	100	Mbalawala	coal	Active
PL 10417/2014	Tanzania	Tancoal	100	Mhukuru	coal	Active
PL 11156/2017	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 11086/2016	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 13996/2019	Tanzania	Tancoal	100	Mbinga/Ruvuma	coal	Active
PL 10116/14	Tanzania	Tanzacoal	100	Songwe/Kiwira	coal	Active
PL 10058/14	Tanzania	Tanzacoal	100	Songwe/Kiwira	coal	Active
ML 0143/2005	Malawi	Malcoal	100	Kayelekera	coal	Active
PL10975/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10976/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL10977/2016	Tanzania	Intra Energy (Tanzania)	100	Dodoma	lithium	Active
PL/10979/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10950/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL/10980/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active
PL10981/2016	Tanzania	Intra Energy (Tanzania)	100	Morogoro	graphite	Active

Tancoal is owned 70% by IEC

Malcoal is owned 90% by IEC