

ASX Release

9 January 2017

Company Announcement Officer
Australian Securities Exchange

IEC Update

Intra Energy Corporation (ASX:IEC) ("the Company" or "IEC") refers to the attached article published in The Citizen, a local Tanzanian Newspaper on Saturday 7 January 2017 (Tanzanian time). The article refers to actions which are reported to have been (or will be) taken by the Hon. Prime Minister of Tanzania to direct the Governor of the Bank of Tanzania and other Tanzanian government authorities to conduct investigations of certain business activities of Tancoal Mining Limited ("Tancoal"). IEC holds a 70% stake in Tancoal. The Tanzanian state owned National Development Corporation ("NDC") holds the remaining 30% stake in Tancoal.

Neither IEC nor Tancoal has received any notification from any Tanzanian authority of any concerns in this regard or of an intended investigation, or of the Tanzanian Prime Minister's directions to the Tanzanian authorities which are reported in article. The Hon. Prime Minister of Tanzania visited Tancoal's coal mine on Friday 6 January 2017.

IEC welcomes any investigation and looks forward to the opportunity to respond to any concerns of Tanzanian authorities and clear any allegations. IEC will ensure that Tancoal fully co-operates with any investigation in accordance with all regulatory requirements. Both Tancoal and IEC have at all times complied with applicable legal, regulatory and contractual obligations, as well as good corporate governance practices.

As IEC is an ASX listed Australian public company, it is subject to rigorous accounting, audit and other reporting obligations, which includes IEC's interest in Tancoal. IEC's and Tancoal's financial statements are audited by a top international accounting firm. Tancoal's operations and finances are also regularly reviewed by local Tanzanian authorities. NDC representatives have consistently been appointed to the board of Tancoal to represent NDC's interest in Tancoal.

IEC believes it is important to clear any misunderstandings as Tancoal is undergoing rapid expansion to increase production in support of the Government's industrialisation program.

ENDS

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About Intra Energy

Intra Energy is an environmentally responsible, diversified mining and energy group, focused on Eastern Africa, and is listed on the Australian Stock Exchange (ASX:IEC). IEC is a developer and producer of thermal coal in Eastern Africa operating under the motto of “African coal for African growth” and is the only operating thermal coal miner in Eastern Africa. Its flagship coal project is the Tancoal mine in the Ngaka coalfield of Tanzania, operated by Tancoal Energy Limited, a joint venture with the National Development Corporation of Tanzania.

Intra Energy has made significant progress with its Eastern African regional expansion strategy into new mining and renewable energy projects and battery storage materials, and maintains cost effective and efficient operations to remain a low cost producer in this dynamically growing region where it occupies the prime supply position.

NEWS

POSTED 10 HOURS AGO

Premier smells fishy deals in coal firm operations



PRIME MINISTER KASSIM MAJALIWA

By The Citizen Reporter @TheCitizenTz news@tz.nationmedia.com

IN SUMMARY

- The Prime Minister wanted to know why Tancoal has not paid dividends to National Development Corporation which owns 30pc of the company stake



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Dar es Salaam. Prime Minister Kassim Majaliwa yesterday directed the Bank of Tanzania (BoT) governor, Treasury registrar and Controller and Auditor General (CAG) to conduct a forensic audit of Tancoal.

Mr Majaliwa made the order after suspecting something fishy over the accounts of the company established in 2008 to undertake coal mining.

Tancoal Energy Limited is a joint venture between the National Development Corporation (NDC) and Intra Energy (Tanzania) Limited (IETL) — the last wholly owned by Intra Energy Corporation of Australia. Speaking after visiting the coal mine and receiving a report on the company activities, Mr Majaliwa said the audit should focus on establishing if the income and expenditure reports of Tancoal were genuine.

He said among other things, CAG would be required to go through Tancoal accounts since 2011 when the company started production.

“Apart from CAG, the BoT governor should also satisfy himself if money which was directed to the company was spend appropriately,” he said.

In his queries, Mr Majaliwa wanted to know why Tancoal has not paid dividends to NDC which owns 30 per cent of the company stake alongside Intra Energy Limited which owns the remaining 70 percent of shares.

“Reports which I have show that you have been producing coal each year and in 2013 you planned to produce 50,000 tonnes but you did more than that. The auditor says the company has made profit, why didn’t you pay dividends?” he asked the NDC managing director Mlingi Mkucha.

“In December 2013 you sold 39,000 tonnes to textile mills, 2,000 tonnes to a Zambia cement factory and in November 2013 you entered into an agreement to sell 165,000 tonnes to a Tanzanian cement company and you sold all these tonnes. But your financial statements show that you made a loss on those years. Why? You are saying dividend is given when a company makes a profit. You exceeded your targets and yet you reported a loss in that financial year.” He also ordered Mr Mkucha to state why when he was the NDC company secretary approved a contract for Tancoal to pay management fee to directors in Australia while they were not part of the firm’s team involved in daily operations.

He also wanted to know why former NDC managing director Gideon Nassari served as a member of the Tancoal Board of Directors at the same time sitting on the Intra Energy Corporation board while he was also serving as NDC CEO.

“You were NDC company secretary tand you knew it and you did not see anything wrong with that. Or you failed to raise an alarm because he was your

boss?” he asked.

He asked Mr Mkucha to submit the Tancoal contract to the Attorney General for review especially articles on NDC accounts as well as Tancoal director powers on issuing or nor issuing dividends.