

## QUARTERLY ACTIVITIES REPORT

### March 2015

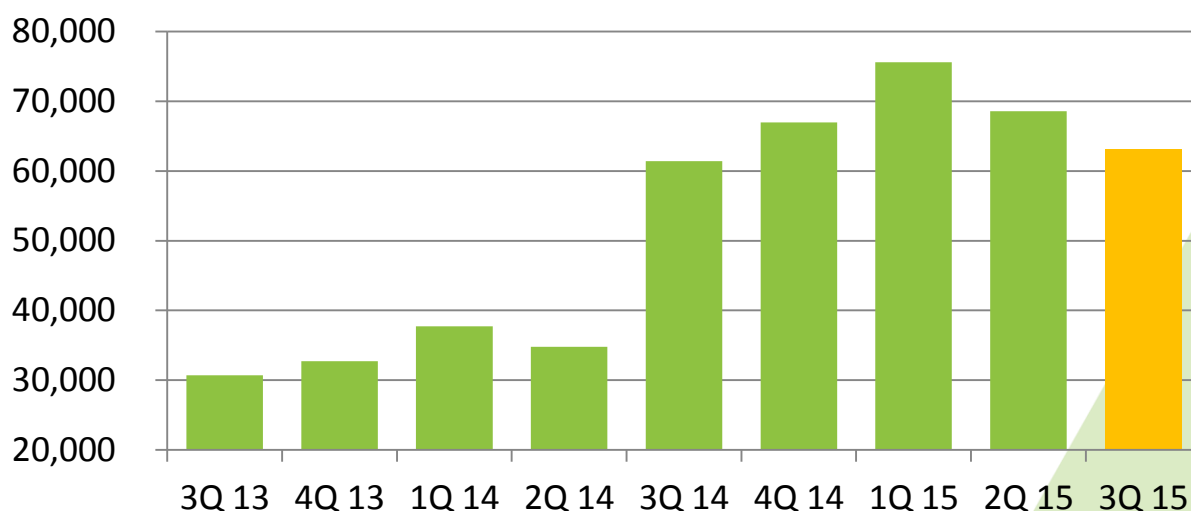
- Q3 FY15 sales of 63,144 tonnes, up 3% compared to the corresponding FY14 quarter
- YTD FY15 sales of 206,245t, up 52% compared to the corresponding FY14 period. YTD sales now exceed full year FY14 Sales
- Production decreased by 10% on previous corresponding quarter to 62,161 tonnes, principally due to the seasonal slowdown in Malawi
- Tancoal haul road surveys, from mine to main roads, completed. Feasibility analysis to be undertaken in Q4 FY15
- Initial supply of coal contracted for a new cement plant in north eastern Tanzania
- Despite a positive operating cash flow, cash remains tight

Intra Energy Corporation's ("IEC") focus is to be the dominant coal supplier for industrial energy users and to sponsor coal-fired power generation in the Eastern African region.

IEC sales during the first part of the quarter were impacted by the holiday and industry shutdown period. The sales trend did improve month on month throughout the quarter. The wet season during the quarter caused only minor disruption to operations.

With ongoing mining efficiency, improvements operational cash flow continued to improve.

**Quarterly Sales Tonnages**



Year to date, total sales remain in line with IEC's expectations.

## MINING OPERATIONS

### IEC Group Production and Sales

	Quarter Ended			12 months Ended		
	Mar 15	Mar 14	Var (%)	Mar 15	Mar 14	Var (%)
Overburden Stripped (bcm)	241,969	140,507	+72.2%	806,760	270,534	+198.2%
Coal mined (tonnes)	62,161	68,839	-9.7%	234,782	158,298	+42.0%
Sold (tonnes)	63,144	61,407	+2.8%	206,245	135,387	+52.3%

- As with the December quarter, sales reduced in the March quarter due to anticipated customer shutdowns over the holiday period, as well as normal seasonal downturn. Sales volumes increased month to month over the quarter, with March sales 20% higher than January sales.
- Low Richards Bay coal prices continue to put downward pressure on pricing. In particular this has affected sales growth into Kenya, with seaborne traded coal proving less expensive in the current climate.
- Significant pre-stripping and overburden removal was completed in the quarter, with more than 110,000 tonnes of coal now partially exposed. This mitigates the risk of wet weather in Q4FY15.

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

	Quarter Ended	
	Mar 15	Mar 14
Tanzania	92.4%	89.0%
Kenya	4.4%	5.5%
Malawi	3.2%	3.7%
Uganda	-	1.8%

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

	Quarter Ended	
	Mar 15	Mar 14
Cement	75.0%	70.1%
Paper	2.2%	9.8%
Textiles	11.1%	4.3%
Other	11.7%	15.8%

### ***Tancoal (Tanzania)***

- Surveys for two alternative haul road routes were completed during the quarter. Construction of a dedicated haul road will link the mine and main roads, with this new road having a greater capacity than the road currently in use, potentially providing logistics efficiencies. Initial feasibility and engineering work will occur during Q4FY15.
- Acquisition of a new bulldozer was completed, as well as for a new crusher, which will be commissioned in Q4FY15. This equipment enhances redundancy to ensure continuity of supply.
- Work also commenced on expanding fuel storage at the mine site. Combined with greater credit limits from fuel suppliers which is currently under negotiation, this will provide security against the potential for fuel shortages to impact operations.



**Tancoal Crushing Operations**

- A major East African cement manufacturer recently commenced commissioning a new cement plant located in north east Tanzania. Tancoal has agreed an initial trial supply of coal to this plant, and negotiations for long term supply are continuing.
- A large cement plant is being constructed in south west Tanzania, including a 75MW power station included. The facilities will use coal and natural gas, and supply discussions were initiated in the quarter and are ongoing.
- A combustion engineering consultant commenced work for Tancoal during the quarter, providing advice to potential customers on converting to coal as their fuel source, and to existing customers to expand and optimise their current usage.

### ***Malcoal (Malawi)***



**The former Minister for Natural Resources, Energy and Mining, the Honourable Atupele Muluzi (centre), visiting Malcoal's Nkhachira mine on 8 January 2015. He is pictured with some of Malcoal's employees**

### ***Tanzacoal (Tanzania)***

- In May 2014, IEC's subsidiary company, Tanzacoal East Africa Mining Limited's ("Tanzacoal"), commenced legal proceedings in respect to the cancellation of its Special Mining Licence (SML) No. 235/2005 by the former Minister for Energy and Minerals of the Government of Tanzania.
- Tanzacoal instituted an Appeal which was lodged alongside an Application for the following matters to be heard:
  - An Injunction against the cancellation Order of the Minister;
  - A Stay of the Order of the Minister cancelling the SML; and
  - The Ministry to forward the File in relation to the SML to examine if all the required processes were followed during the cancellation of the SML.
- A ruling/decision on the Application was delivered in November 2014 and all points were ruled in favour of Tanzacoal.
- The Appeal was scheduled for judgment on 27 March 2015, however it has been deferred and a new date not been set.

## ENERGY

- The PPA term sheet for Project Pamodzi Power Station in Malawi, agreed and initialled in the December quarter, was formally reviewed by the new board of the Electricity Supply Company, and is expected to be ratified and executed shortly.
- Both the Government of Malawi, and now the Tanzanian Government after recent ministerial changes, are supportive of the respective projects, and are assisting in the securing of Joint Venture partners.
- Discussions with several potential Joint Venture partners are ongoing, with a number of parties undertaking due diligence.

## EXPLORATION

- During the quarter drilling programmes were suspended due to wet weather, with minimal exploration undertaken.
- Exploration activities will recommence in Q4FY15 to ensure minimum commitments are met and tenements are maintained in good standing.

## AAA DRILLING

- AAA Drilling has been successfully transitioned to a Joint Venture project with General Petroleum Oils and Tools ("GPOT"). GPOT has the responsibility for operations and sales while IEC continues to provide technical support.

## CORPORATE

Cashflow	3 months A\$ '000
<b>Cash at beginning of the Quarter</b>	<b>(532)</b>
Operating	224
Investing	(243)
Financing	(297)
Exchange rate adjustments	-
<b>Cash at end of Quarter</b>	<b>(848)</b>

- Positive operating cash flow was achieved for the quarter despite an increasing cash deficit. This compares to a negative operating cash flow in the previous corresponding quarter
- Whilst overdraft facilities were nearing their limits during the quarter, IEC has focused on improving available liquidity and credit terms with major suppliers.
- Achieving positive cash flow for the Group is a priority for management.

### Bank Facilities

- KCB Bank Tanzania Limited increased the limit on the overdraft facility provided to Tancoal by US\$200,000 to US\$700,000, providing further liquidity to manage working capital needs.

### Community

- The application for an Australian Government Grant for Tancoal was declined due to the large volume of applications received and the fact that Tancoal has previously received a grant.
- However the Australian Government Grant for Malcoal has been forwarded to the next round and a determination is expected in mid 2015.



- At Tancoal, a tree transplanting project was completed at the mine and in the surrounding villages. A total of 5,750 trees of various species were transplanted from the nursery managed by The Mbalawala Women's Organisation. The nursery and programme was established and funded by Tancoal, and is ongoing. A similar programme is planned for Malcoal.



Tree Nursery



Transplanting at Kitai Stockyard

For further information please contact:

**Shareholder Enquiries**

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**Competent Person's Statement - JORC Resources Contained in the March 2014 Quarterly Activities Report**

Coal resources have been determined in a manner consistent with the *"Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ~ The JORC Code ~ 2012 Edition"* (The JORC Code) and the associated 2003 edition of *"Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves"* (the Guidelines).

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.

**Continuous Disclosure**

It is the policy of the Company to meet its continuous disclosure obligations in the normal course of business. Outside of this requirement, the Quarterly Report will be the basis for information on the progress and plans of IEC.