

## QUARTERLY ACTIVITIES REPORT

### March 2016

- Sales have been adversely affected by the importation of coal into Tanzania from South Africa in January which has effectively reduced budgeted sales for the quarter by 35,000 tonnes
- The government of Tanzania has not licenced further imports and sales are expected to increase in the June quarter following depletion of imported stock
- Sales and coal production also affected by wet weather and scheduled customer shutdowns
- Sales down 12.4% to 55,297 tonnes (compared to Q3FY15)
- Coal production down 29% to 44,099 tonnes (compared to Q3FY15)

Intra Energy Corporation ("IEC") is the dominant coal supplier to industrial energy users in the Eastern African region and is the sponsor of the Pamodzi coal-fired power project in Malawi and the Ngaka coal-fired power project in Tanzania. Its 70% owned Tancoal mine in Tanzania (30% owned by the National Development Corporation) is the only fully operational coal mine in Tanzania, and is manned exclusively by Tanzanians.

### MINING OPERATIONS

#### IEC Group Production and Sales

	Quarter Ended		
	Mar 16	Mar 15	Var (%)
Overburden Stripped (bcm)	206,779	241,969	-14.5%
Coal mined (tonnes)	44,099	62,161	-29.0%
Sold (tonnes)	55,297	63,144	-12.4%

- Apart from imports sales were affected by the annual wet season in Tanzania and also scheduled shutdowns in February by several key customers.
- The production and majority of sales in the table above again were from Tanzania as mining operations in Malawi have ceased. Documents for the sale of the Malawi operations were exchanged during the quarter. This will increase the focus on Tanzanian operations and is expected to relieve tight cash conditions.

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

	Quarter Ended	
	Mar-16	Mar-15
Tanzania	74.56%	92.40%
Kenya	0.49%	4.40%
Malawi	1.34%	3.20%
Rwanda	23.61%	-

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

	Quarter Ended	
	Mar-16	Mar-15
Cement	63.36%	75.00%
Paper	14.11%	2.20%
Textiles	15.09%	11.10%
Other	7.44%	11.70%

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

- Coal production and sales were impacted by the annual wet season in Tanzania and also scheduled shutdowns by several customers. Demand was particularly low in February but increased in March. Further increases are expected in the June quarter upon cessation of the wet season and reduction in imported stocks.
- Supply under the Dangote Cement contract was hindered by wet weather impacting the main road between the mine and their plant. This road is now not expected to be passable until May 2016.
- Coal supply continued to Cimerwa Cement located in Rwanda. Cimerwa Cement is majority owned by PPC Ltd of South Africa.
- The sales to Cimerwa are currently on a spot basis while a supply contract continues to be negotiated.
- Discussions have been held with Government to emphasise that the importation of lower quality coal from South Africa would dramatically harm continued employment of Tanzanians in Tancoal and associated businesses.
- Tancoal's operating profit at the end of the December quarter was US\$734,000, and has been reduced to \$US117,000 at the end of the March quarter as a result of the lower sales.



Tarn Brereton, David Mason and Graeme Robertson with Tancoal employee Leahkissa Mwangosi during a recent visit to the Tancoal mine

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

- No production was undertaken for the quarter and operations have ceased.
- Contracts were exchanged for the sale of the Malawi operations, with settlement expected in the June quarter.

### **ENERGY**

- On 25 November 2015 IEC executed a Memorandum of Understanding with SINOHYDRO Corporation Limited as a joint development to assess the feasibility for the 270 megawatt Ngaka coal-fired mine mouth project, located at the Tancoal mine area.
- SINOHYDRO was established in China as a state-owned hydropower project contractor during the 1950s and has since expanded globally to 130,000 employees providing services for financing, engineering, purchasing, implementation and operations of projects for power, water conservation, transport infrastructure and civil works. They are experienced in the development of power stations.
- In January 2016 SINOHYDRO completed site inspections, and during the quarter the bankable feasibility study was advanced. SINOHYDRO are targeting completing the draft of the feasibility study in the June quarter, following which PPA negotiations will commence. The Government is encouraging the development.
- 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, and in return Tancoal will gain an option to supply coal to the power station in Malawi, which will be located across Lake Nyasa from Tancoal.

## EXPLORATION

- Exploration is focussed towards tenements being maintained in good standing and supporting mine development works.

## AAA DRILLING

- JV partner GPOT has responsibility for operations and sales while IEC continues to provide technical support. There has been limited activity by AAA Drilling as market conditions for drilling services in East Africa continue to be depressed, consistent with the decline in drilling services for exploration globally.

## CORPORATE

Cashflow	3 months A\$ '000
Cash at beginning of the Quarter	(1,141)
Operating	356
Investing	(45)
Financing	(454)
Exchange Rate Adjustments	31
Cash at end of Quarter	(1,253)

- Financing consists of principal repayments only.

### Community

- Support to the flagship Mbalawala Women's Organisation in Tanzania is ongoing.





Mbalawala Women's Organization farming activities

For further information please contact:

#### Shareholder Enquiries

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#### Competent Person's Statement - JORC Resources Contained in the March 2016 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 of 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.