

QUARTERLY ACTIVITIES REPORT

September 2016

- Sales and coal prices adversely affected by the importation of coal into Tanzania from South Africa during the last financial year
- Government of Tanzania banned importation of coal in late August 2016 and an increase in sales and prices is slowly being achieved
- Sales are up 5.5% to 67,438 tonnes (compared to Q1FY15)
- Coal production is well up by 26.7% to 82,572 tonnes in anticipation of increasing sales (compared to Q1FY15)

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.

IEC has commenced its energy diversification program to expand its energy interests with a focus on battery development materials such as lithium and graphite, and renewable power.

MINING OPERATIONS

IEC Group Production and Sales

	Quarter Ended		
	Sept 16	Sept 15	Var (%)
Overburden Stripped (bcm)	346,324	347,939	-0.5%
Coal mined (tonnes)	82,572	65,153	+26.7%
Sold (tonnes)	67,438	63,947	+5.5%

- 100% of production and most sales in the table above were again from Tanzania as mining operations in Malawi have ceased. The completion of the sale of the Malawi operations is pending tax clearance which has been delayed and is now expected in the December quarter. Completion of the sale is expected to relieve tight cash conditions.
- Sales have improved by 5.5% compared to Quarter 1 FY15
- Coal production is well up by 26.7% compared to Quarter 1 FY15, in anticipation of increasing sales in the December 2016 quarter

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

	Quarter Ended	
	16-Sep	15-Sep
Tanzania	90.7%	89.8%
Kenya	1.2%	6.4%
Malawi	-	3.5%
Rwanda	8.1%	0.3%

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

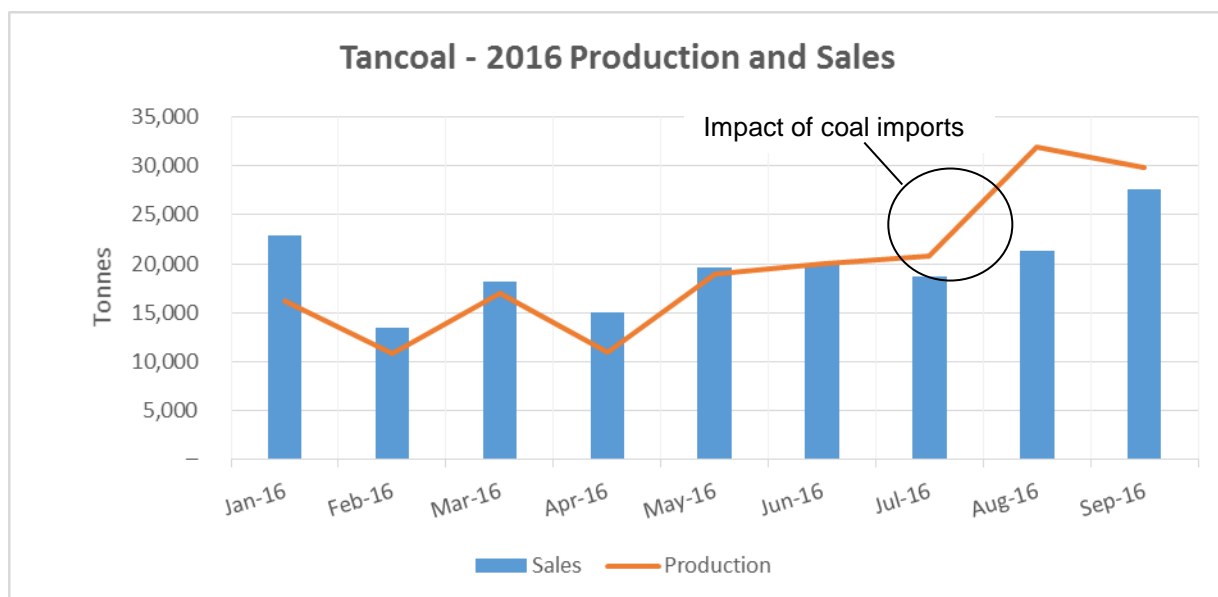
	Quarter Ended	
	16-Sep	15-Sep
Cement	79.6%	62.4%
Paper	0.4%	4.1%
Textiles	7.5%	7.6%
Other	12.5%	25.9%

Tancoal (Tanzania)

- Coal sales were affected by previously imported stocks which continued to be depleted by customers. However there has been a steady monthly increase in sales in the September quarter.
- The Tanzanian government banned the importation of coal from late August 2016.
- Dangote Cement Commenced coal deliveries in late August, albeit at a low level.
- Deliveries to Cimerwa Cement in Rwanda recommenced in July and continued through the quarter.
- A new contract was signed with Sunda International, a ceramic factory, for 5,000t of sized product.
- Sales of coal to Lake Cement and Tanga cement were both above budget for the quarter
- Coal sales are expected to continue increasing again in the second quarter of 2016.
- Tancoal incurred a loss in the September quarter of 2016 due to lower sales and coal prices.
- This is expected to revert to a profit in the December quarter of 2016 with increased sales and improvement in coal prices



Tancoal excavator loading new trucks including contractor "Effco" 50 tonne truck



Malcoal (Malawi)

- No production was undertaken for the quarter and operations have ceased.
- The sale of the Malawi operations is pending tax clearance, which has been delayed and is now expected in the December quarter.
- Closure costs are still having a small impact on financials.

ENERGY

Tanzania

- On 25 November 2015 IEC executed a Memorandum of Understanding (MOU) 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.
- SINOHYDRO completed a draft technical proposal for the Ngaka power station project in July and completed a draft commercial proposal in the September quarter. A final commercial proposal will be delivered late in October. Thereafter negotiations with the relevant Government authorities will commence with respect to the power purchase agreement.
- A Feasibility study for the development of the North Ngaka coal resource to supply feedstock to the proposed power station was delivered to the Tanzanian Government.
- SINOHYDRO and TANCOAL commenced discussions in September 2016 on finalising a replacement MOU to define their roles in proceeding with the project

Malawi

- Execution of the PPA term sheet for Project Pamodzi 120 MW 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.
- In a recent review of the Unsolicited Independent Power Producers (UIPPs) done by Mott MacDonald, Project Pamodzi was identified as one of the only two coal-fired power station projects on the list of UIPPs to be considered for inclusion in the IRP study.

EXPLORATION

- Coal exploration is focussed towards tenements being maintained in good standing and supporting mine development works.
- In July IEC was granted three lithium exploration licenses in central Tanzania near the capital Dodoma (Refer ASX announcement 19 July 2016).
- The lithium licenses are located within the Dodoman System in an elongated belt trending west-north-west. The area is characterised by felsic intrusive rocks such as granite and pegmatite.

AAA DRILLING

- IEC and JV partner GPOT elected to wind up AAA Drilling as market conditions for drilling services in East Africa continue to be depressed. The partners are actively seeking buyers for the assets.

CORPORATE

Cashflow	3 months A\$ '000
Cash at beginning of the Quarter	(1,290)
Operating	56
Investing	(12)
Financing	(209)
Exchange Rate Adjustments	38
Cash at end of Quarter	(1,417)

- KCB Bank Tanzania Limited approved an extension of US\$800k to Tancoal's working capital facilities. At the 30 September 2016, KCB had advanced US\$150,000 of the facility, the balance to be received in October 2016.

Community

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

For further information please contact:

Shareholder Enquiries

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Competent Person's Statement - JORC Resources Contained in the September 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.