

QUARTERLY ACTIVITIES REPORT December 2017

INTRA ENERGY ANNOUNCES IMPROVED PERFORMANCE

- Recorded highest ever Sales and Production Tonnes for a Quarter
- Revenue of US\$6.4 million for Q2 FY18 (compared to US\$4.3 million in Q2 FY17)
- Sales are up 128.39% to 133,541 tonnes in Q2 FY18 (compared to 104,014 tonnes in Q2 FY17)
- Coal production is up by 171.51% to 165,865 tonnes in Q2 FY18 (compared to 96,708 tonnes in Q2 FY17)
- New screening plant operating

Intra Energy Corporation (“IEC”) is the dominant coal supplier to industrial energy users in the Eastern African region and is the sponsor of the Ngaka coal-fired power project in Tanzania. Its 70% owned Tancoal mine in Tanzania (30% owned by the National Development Corporation) 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		
	Dec-17	Dec-16	Var (%)
Overburden Stripped (bcm)	799,429	568,648	140.58%
Coal mined (tonnes)	165,865	96,708	171.51%
Sold (tonnes)	133,541	104,014	128.39%

) Production and sales have been solely from the Tancoal Mine.



New crusher and screening plant

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

	Quarter Ended	
	Dec-17	Dec-16
Tanzania	83.4%	77.5%
Kenya	12.9%	10.8%
Rwanda	3.7%	11.7%

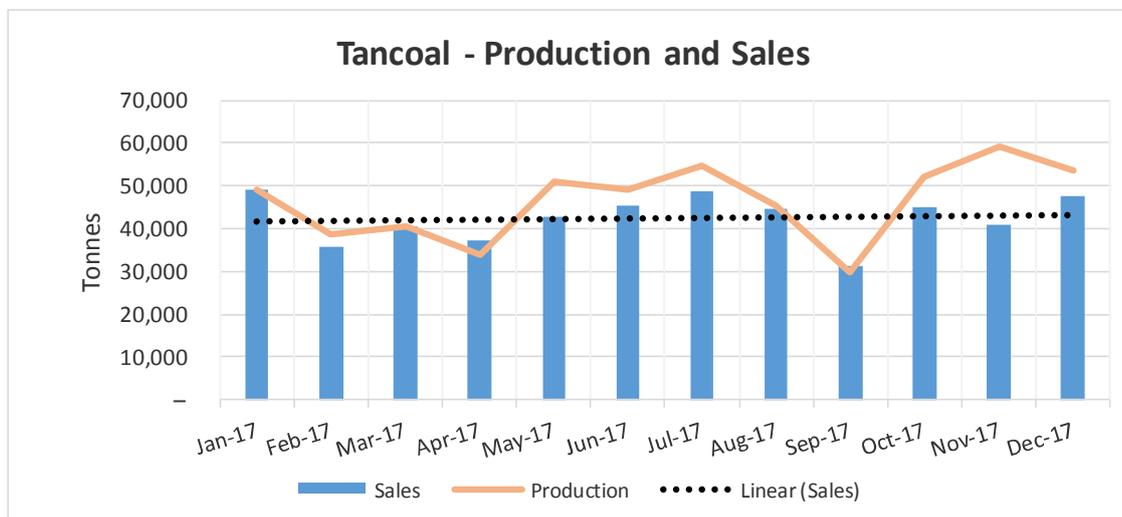
IEC Group quarterly sales volumes (as a percentage) by industry

	Quarter Ended	
	Dec-17	Dec-16
Cement	68.9%	76.2%
Paper	0.3%	0%
Textiles	6.3%	4.7%
Ceramics	14.5%	0%
Other	10.0%	19.1%

The charts above illustrate the marketing objective of lessening dependence on the cement industry and broadening the supply of coal into regional and seaborne industrial and power station markets.



Tancoal (Tanzania)



-) The Tanzanian government banned the importation of coal from late August 2016.
-) Sales were higher than any previous quarter but have not yet reached the government projected 60,000 tonnes per month.
-) Coal production for the quarter was higher than any previous quarter.
-) A stockpile of 48,000 tonnes was made ready for the rainy season.

The newly purchased screening plant has been working, the new crusher and stackers arrived at site in December and were commissioned in early January. The commissioning of the crusher at the Kitai sales point will increase the overall efficiency of the mining operation and enable the mine to supply the sized coal in demand by East African customers with a reduced percentage of fines produced in the process.

Malcoal (Malawi)

-) No production was undertaken for the quarter and operations have ceased.
-) Discussions with buyers for the business are ongoing.
-) Closure costs have 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 power station 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. They are experienced in the development of power stations.
-) SINOHYDRO completed a draft technical proposal for the Ngaka power station project in July 2016 and completed a draft commercial proposal in the September quarter. A final commercial proposal was completed late in October 2016.
-) 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 in October 2016.

- J In May 2017 a letter was received from the Ministry of Energy and Minerals requesting commencement of negotiations for the Ngaka power station project.
- J IEC and Sinohydro are awaiting advice from the Government to proceed with discussions

Malawi

- J 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.
- J 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 Integrated Resource Plan (IRP) study.
- J IEC is discussing the implementation of this project with interested parties.

EXPLORATION

- J Coal exploration is focussed towards tenements being maintained in good standing and supporting mine development works.
- J Initial reviews were commenced on the company's lithium and graphite prospecting licenses in Tanzania.

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	(1,944)
Operating	1,743
Investing	(381)
Financing	(448)
Exchange Rate Adjustments	(10)
Cash at end of Quarter	(1,040)

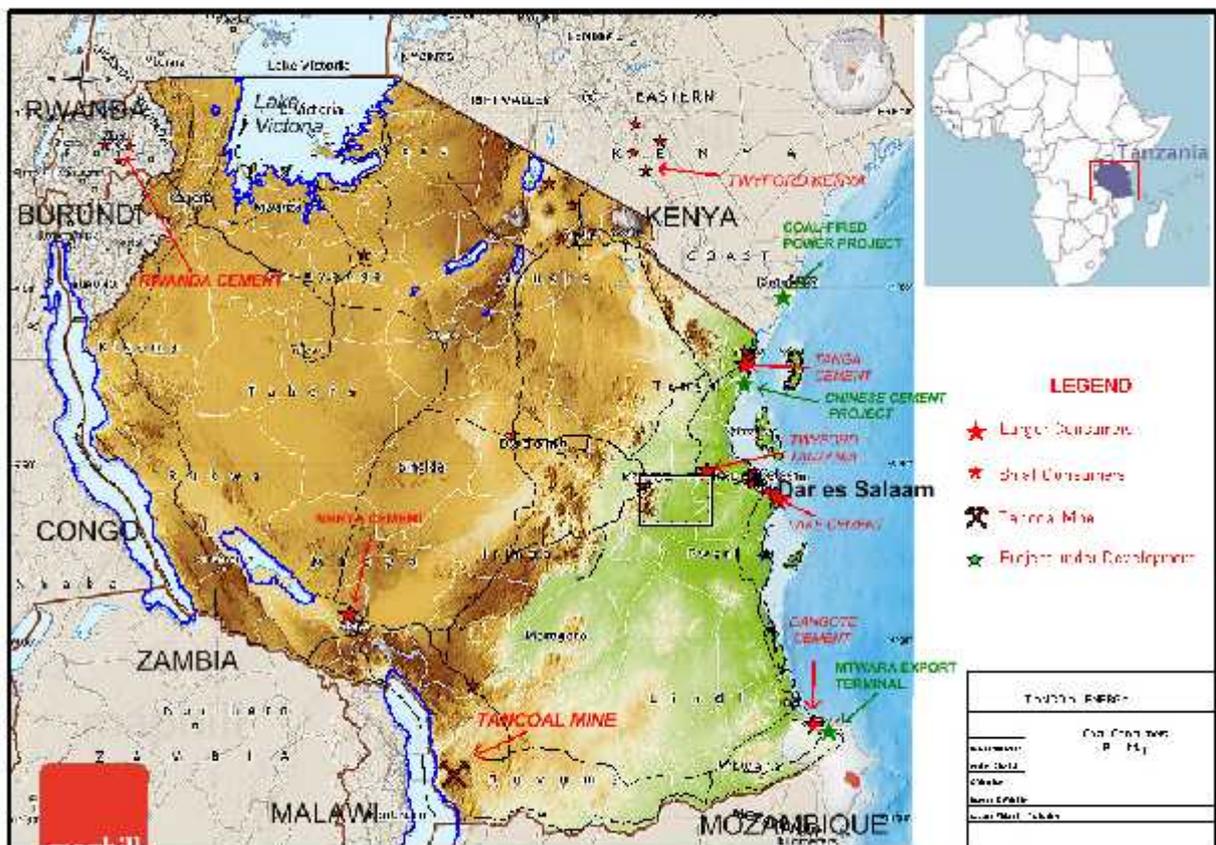
- J The bank overdraft limit with KCB Bank Tanzania Limited ("KCB") is US\$1.8 million
- J The US\$1.5 million loan with KCB was fully repaid in November 2017
- J The US\$0.936 million loan with KCB for the crusher and screening plant was received in Q1 FY2018

Community

- J Support to the flagship Mbalawala Women's Organisation in Tanzania is ongoing.
- J The Mbalawala organisation provides the mine catering requirements by growing produce in rehabilitated mining areas and cooking for the mine operators in a sustainable business operation.

OUTLOOK

The Government of Tanzania requested the company to increase production capacity to meet the demand of the Tanzanian cement and other industries, this is in addition to the large Chinese cement industry commencing construction at Tanga in the north east of Tanzania. This will dwarf current cement production but is primarily geared for exports. IEC has increased production capacity to meet demand and is increasingly focusing on export expansion (currently 13.7% of sales).



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