

ALTO CAPITAL RESEARCH UPDATE

Phone: (08) 9223 9888
 Fax: (08) 9221 0488
 Email: info@altocapital.com.au
 Website: www.altocapital.com.au



Major 100mt Resource Acquisition

16th September 2011

Intra Energy Corp Limited (IEC)

Speculative Buy

Price: 36.0¢
 12-month Target: 70.0¢
 Mkt Cap: \$84.5m

Summary Information:

Capital Structure:

Share Price	\$0.36
Ord Shares	234.6
Market Capitalisation	\$84.5
Cash (Sep 2011)	\$20.0m
Enterprise Value	\$64.5m
Unlisted Options	13.0m
52 week Low/High	20.0¢ / 59.0¢

Directors:

Chairman & CEO	Graeme Robertson
Executive Director	David Mason
Executive Director	Jonathan Warrant
Non-Exec Director	Francis Lung
Non-Exec Director	Clive Hartz

Major Shareholders:

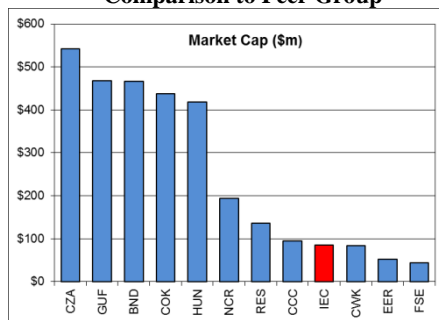
Graeme Robertson & assoc.	20.7%
Clive Hartz & assoc.	9.4%
RBC Dexia Investor Services	6.0%

Top 20 Shareholders hold 52.9% of the issued stock

Resource	Mbala-wala	Songwe Kiwira	Total
Measured	139mt		139mt
Indicated	66mt	75mt	141mt
Inferred	46mt	25mt	71mt
Total	251mt	100mt	351mt

*Intra equity share 70%

Comparison to Peer Group



Summary:

Intra Energy Corp Limited (formerly Atomic Resources Limited) is an Australian company, headquartered in Sydney, New South Wales, focused on the development and production from major thermal coal assets in Tanzania, and exploration in South East Asia.

The company announced that it has completed the acquisition of coal leases in the Songwe-Kiwira coalfield, lying to the north of Lake Nyasa in southwest Tanzania (refer ASX announcement 6 Sep 2011).

Intra holds its coal assets in the Ngaka coalfield via a 70% interest in Tancoal Energy Limited (Tancoal), with the remaining 30% stake in Tancoal owned by the National Development Corporation (NDC) of Tanzania, the primary Government agency responsible for the development of Tanzania's natural resources. The newly acquired leases in the Songwe-Kiwira coalfield will be held through another 70:30 joint venture company, Tanzacoal East Africa Mining Limited with the 30% stake held by a private party.

The company's other major asset the Mbalawala Coal Project (the groups most advanced project) has a resource of 251mt of medium ash sub bituminous coal. Intra plans to develop the project via three stages: Stage One (in production), supplying coal to the domestic market and neighbouring countries, Stage Two, supply coal to a power station (planning stage), and Stage Three: export sales.

We have maintained our **Speculative Buy** recommendation on Intra and have retained our **12-month price target of \$0.70** per share.

Key Points:

- Intra has completed the acquisition of four leases in the Songwe-Kiwira Coalfield containing a JORC Resource of 100mt of high ash (>30%) sub-bituminous thermal coal.
- Stage One development at Mbalawala is advancing as planned, with first coal sales completed. Based on our forecasts Mbalawala (Stage 1) is forecast to produce sufficient cashflows to enable the group to continue its Tanzanian development plans without having to raise further equity capital.
- Exploration results at Mbalawala continue to confirm the high calorific value of the raw coal (greater than 6,400 kcal/kg) in the region. The high energy content enables Intra to sell the coal without the need of a washing plant, significantly reducing both operating and capital costs.
- Production from Tanzania is expected to ramp up over the next few years with 2011 production forecast at 100,000tpa, and ramping up to 360,000tpa by 2013, and potentially >2.0mtpa by 2018 with the addition of new power stations.
- Intra recently entered into agreements for coal exploration and mine development opportunities in Laos and Vietnam, adding a new area for future growth.
- We have maintained our Speculative Buy recommendation and maintained our 12-month price target of \$0.70 per share.

Songwe-Kiwira Transaction

Acquisition of Songwe-Kiwira Completed

Intra has acquired coal leases in the Songwe-Kiwira Coalfield, located to the south of the Mbeya industrial region and north of Lake Nyasa in southwest Tanzania. Good quality, shallow thermal coal resources from previous mining studies exist in the leases.

Consideration for the project was US\$7.0m in cash for 70% ownership of the Mining License, and an additional US\$1.0m cash and US\$2.0m in IEC ordinary shares for 70% equity in three Prospecting Licences surrounding the Mining Licence.

A part of the due-diligence process four check drillholes were completed, twinning existing holes drilled in 1986 by British Mining Consultants Limited (BMCL). The lithology and quality of the results confirm the existing BMCL data.

IEC reported a JORC resource of 100mt of high-ash (>30%) sub-bituminous thermal coal, with 74.7mt in the indicated category and 25mt in the inferred category. No energy content was reported for the coal resource; however we believe it would be suitable for a coal fired power station planned for the area.



100mt high ash JORC resource, with 75mt in the indicated category

Mbalawala Progress

Overburden removal (using typical dozer rip and push) has been completed in some sections at Mbalawala, with coal mining now in full swing.

Mining has commenced at Mbalawala, with first coal deliveries completed

The coal is loaded in trucks by excavator and hauled 45km to the Lituhi loadout port facility on the eastern shore of Lake Nyasa, from there it is loaded onto barges and transported 120km to the Itungi receival port facility at the north end of Lake Nyasa for distribution to customers in the Mbeya industrial region.

First coal sales have been completed, with a planned production ramp-up to 350,000tpa by 2013

Pre-Stripping at Mbalawala



Loading Coal for Transport to Lituhi Port



Staged production ramp-up, with >1.0mtpa forecast in 2015

Potential Production	2011	2012	2013	2014	2015	2016	2017	2018
Stage 1a Mining	0.10mt	0.25mt	0.35mt	0.35mt	0.45mt	0.45mt	0.45mt	0.45mt
Stage 1b Mining			0.15mt	0.20mt	0.25mt	0.25mt	0.25mt	0.25mt
Power Plant Supply				0.25mt	0.40mt	0.60mt	0.80mt	1.00mt
Export Market						0.50mt	1.00mt	1.50mt
Total	0.10mt	0.25mt	0.50mt	0.80mt	1.10mt	1.80mt	2.50mt	3.20mt

Valuation**Valuation based on Sum of Parts method**

Because Intra is planning develop its coal projects in a staged manner, with some the future stages still at an early planning/scoping level, we have decided to value the company using a sum of its parts basis. We have divided the group up into eight segments for valuation purposes:

Stage 1a DCF:	Discounted cash flow using a 12% discount rate for Stage 1a, with production from Mbalawala at 150ktpa and ramping up to 350ktpa by 2013, with sales into the domestic market at a price of US\$75/t.
Stage 1b DCF:	Discounted cash flow using a 12% discount rate for Stage 1b, with production commencing from Songwe-Kabulo at 150ktpa in 2013, with sales into the domestic market at a price of US\$75/t.
Stage 2 DCF:	Discounted cash flow using a 12% discount rate for the sale of coal to near-mine power stations; 400,000tpa initially to supply 120MW capacity in 2014 at a price of US\$65/t, with potential to ramp up to 3.3mtpa over the next two decades to supply 1,000MW of electricity generation.
Stage 3 DCF:	Discounted cash flow using a 12% discount rate for the sale of 5.0mtpa into the export market at a price of US\$100/t commencing in 2016 at 600kt, and ramping up to 5.0mtpa by 2020.
Resource Upgrade:	Based on a resource upgrade from 351mt to 500mt
Exploration Potential	Based on converting exploration potential into resources (additional 400mt)
Exploration:	Value of IEC's other exploration holdings
Cash:	Net cash holdings
Corporate:	Head Office expenditure (3 years)

Segments making up the valuation have had discount rates applied based on perceived execution risk

As there are varying levels of uncertainty into the outcomes of the various stages, we have discounted our valuations to take into account this perceived risk (Execution Risk). The higher the discount used the less likely the event is to occur (example a discount of 10% implies a fairly high level of certainty, a discount of 95% implies very low level of certainty).

Item	NPV		IEC Equity	Execution Risk	Value (US\$m)	Value Share ¹
	NPV	Equity				
DCF Stage 1a (\$75/t)	US\$65m	70%	US\$45.5m	10%	41.0	17.4%
DCF Stage 1b (\$75/t)	US\$35m	70%	US\$24.5m	30%	17.3	7.3%
DCF Stage 2 (\$65/t)	US\$100m	70%	US\$70.0m	50%	35.0	14.9%
DCF Stage 3 (\$100/t)	US\$300m	70%	US\$210.0m	95%	10.5	4.5%
Resource Upgrade (500mt)	US\$20m	70%	US\$14.0m	20%	11.2	4.8%
Expl Potential (900mt)	US\$20m	70%	US\$14.0m	50%	7.0	3.0%
Exploration (Laos/Vietnam)	US\$4m	100%	US\$4.0m		4.0	1.7%
Exploration (Other)	US\$8m	mixed	US\$4.0m		4.0	1.7%
Cash	A\$20m		A\$20.0m		20.0	8.5%
Corporate	(A\$10m)		(A\$10.0m)		(10.0)	(4.3%)
Total	US\$572m		\$396.0m		140.0	59.5%*

¹ A\$:US\$ 1.00

* based on 235m shares

Discounted sum of the parts valuation for IEC of US\$140m

It must be noted that the valuation above of US\$140m is based on information known at the time of this report.

As the various projects become more advanced (Mbalawala Power Station go ahead, JORC resource increase, successful scoping study on stage 3, etc.) the discounts applied to various items will decrease. As an example, with all things being equal, once the Mbalawala Power Plant receives FID (Final Investment Decision) the current discount rate of 50% may decrease to 25%, adding US\$18m to the valuation, or once a successful scoping study on the Stage 3 export potential has been completed the discount rate may decrease to 70% from the current 95%, adding an additional US\$50m to the valuation.

Valuation will increase as confidence and knowledge in the projects increase

The valuation method we have used above is designed to increase in value as confidence and knowledge of the various project's increase.

Recommendation and Price Target

Speculative Buy with a 70¢ price target

We have maintained our **Speculative Buy** recommendation on Intra, and have retained our 12-month price target to \$0.70 per share.

Our 12-month price target of \$0.70 is above our sum of the parts valuation of \$0.60, and is due to our belief that the new management team will deliver on its outlined plans for Intra and the potential of future project acquisitions.

We expect positive news flow over the coming months with the ramp-up coal sales from Mbalawala, continuing positive results from future drill programs, and the potential of a significant resource upgrade later in the new year.

Currently trading at a significant discount to our valuation

Based on our price target of 70¢ a share, and a valuation of 60¢ a share, IEC is trading at a significant discount to fair value, and has the potential to produce substantial capital gains if the group's plans come to fruition.

Directors

Mr. Graeme Robertson
Chairman and CEO

Joined the board in November 2010, appointed Executive Chairman in January 2011. More than 30 years experience in the coal, infrastructure and power development industries. CEO and Managing Director of New Hope Corporation 1987-2005. During this period he pioneered the development of major international companies: President Director of Adaro Indonesia, the largest single open cut coal mine in the Southern Hemisphere; President Director of Indonesia Bulk Terminal, a 12mtpa capacity bulk coal port; advisor to the development of the 1,230MW Paiton Power station, the first IPP in Indonesia.

His career has spanned public and private energy related developments including directorships with the Port of Brisbane Authority and Washington H. Soul Pattinson & Co Ltd, one of Australia's oldest listed companies.

Mr. David Mason
Executive Director
Exploration and Business
Development

Joined the board in January 2011. Over 30 years exploration, drilling and mining experience throughout Australasia. Formerly a director of Overseas & General Limited (ASX:OGL), a coal producer in Indonesia. Prior to this, David was Operations Director of Haddington Resources (now Altura Mining, ASX:AJM) a diversified resource company, which acquired the resource investment and mining service companies of Minvest International, a group he co-founded and managed. Former GM of the Minvest Group, and assisted in the development of the Adaro Indonesia coal mine, the MHU coal mine, a suite of exploration assets and mining service companies.

Mr. Jonathan Warrand
Executive Director
Chief Financial Officer

Joined the board in January 2011. Managing Director of Sydney-based investment firm Intrasia Capital. He has over twenty years of corporate advisory across various sectors including soft and hard commodities, financial services and real estate and has experience in equity and debt capital markets, strategic planning, capital management and corporate advisory.

Mr. Clive Hartz
Non-Exec Director

Director of Atomic since listing in 2007. Clive is Chairman and Chief Executive Officer of a private diverse investment group that he established in 1976. The group's interests span property, exploration, mining and construction and have included the development of retirement villages, offices, showrooms, industrial and residential buildings, subdivisions and shopping centres.

Clive has held a number of public positions and is a director of Archangel Diamond Corporation, a Canadian listed company which made the first major diamond discovery in Russia by a western group. Clive was a key participant the resurrection of Skywest Airline in Western Australia. He is currently the President and Chairman of IGC Resources Inc., a Canadian listed resources company.

Dr. Francis Lung
Non-Exec Director

Dr Lung has a PHD in engineering (University of Leeds) and a Bachelor of Laws (University of London). He has received awards for his scientific research in engineering and held senior positions within the infrastructure and utility industries over the past 22 years at companies such as Duke Energy, Royal Dutch Shell and Hong Kong Mass Transit Railway.

Dr Lung is currently the Managing Director of the China Urban Infrastructure Fund which is a multimillion dollar private equity fund investing in infrastructure projects in China. He is also the Chairman of a software company, and the Deputy Chairman & CEO of Hydrotech International, an ASX listed waterproofing technology company.

Carey P. Smith
Research Analyst

Phone: 08 9223 9838
E-mail: carey@altocapital.com.au

Investment Managers

Stockley Davis
Corporate Manager
Phone: +618 9223 9835
stockley@altocapital.com.au

Shane Wee
Director
Phone: +618 9223 9868
shane@altocapital.com.au

Alan Lawson
Investment Manager
Phone: +618 9223 9878
alan@altocapital.com.au

Cameron Bolton
Investment Manager
Phone: +618 9223 9832
cameron@altocapital.com.au

Mathew Walker
Director
Phone: +618 6460 4960
mathew@cicerocorporate.com.au

James Robinson
Authorised Representative
Phone: +618 6460 4960
james@cicerocorporate.com.au

Adam Belton
Director
Phone: +618 9223 9818
adam@altocapital.com.au

Brendan Fogarty
Investment Manager
Phone: +618 9223 9810
brendan@altocapital.com.au

Maciej Rosiewicz
Investment Manager
Phone: +618 9223 9830
maciej@altocapital.com.au

Chris McGrath
Investment Manager
Phone: +618 9223 9822
chris@altocapital.com.au

Russell Lynton-Brown
Authorised Representative
Phone: +618 6460 4960
ruslb@westnet.com.au

Carey Smith
Research Analyst
Phone: +618 9223 9838
carey@altocapital.com.au

Craig Brown
Director
Phone: +618 9223 9828
craig@altocapital.com.au

Peter Hayes
Investment Manager
Phone: +618 9223 9836
peterh@altocapital.com.au

Brett Schreuders
Investment Manager
Phone: +618 9223 9825
brett@altocapital.com.au

Ian Leete
Authorised Representative
Phone: 0415 707 065
ian@altocapital.com.au

Nathan Barbarich
Authorised Representative
Phone: +618 9223 9848
nathan@altocapital.com.au

Carrie Burns
Office Manager
Phone: +618 9223 9888
carrie@altocapital.com.au

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Relationship with Issuer

Alto Capital has been mandated and remunerated by Intra Energy Corporation to produce this report. Clients of Alto Capital participated in the IEC Placement and Share Purchase Plan announced to the ASX in February 2011, for which Alto Capital received a commission.

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