

On behalf of the Board of Directors of Intra Energy Corporation Limited ("IEC", "Intra Energy" or "the Company"), it is my pleasure to present this summary of operations for this Annual Financial Report for 2018.

Intra Energy remains the major producer and supplier of thermal coal in East Africa through its 70% ownership of Tancoal Energy Limited ("Tancoal") which operates the Ngaka coal mine in south west Tanzania. The full year production was 579,108 (2017: 441,815) tonnes and sales were 540,937 (2017: 422,569) tonnes, approximately 28% more than sales in the previous year. Sales revenue for 2018 was A\$33.079 million (2017: A\$22.706 million). Sales were to the domestic and regional market in Eastern Africa which is one of the highest growth regions internationally. Sales were mainly to customers in Tanzania (77%), with the remainder to customers in Kenya (14%) and Rwanda and Uganda (9%). 62% of sales were made to the cement industry, 22% to the ceramic and paper industries and 16% to textile manufacturers and other industries.

The increase in sales during 2018 was mainly due to increased export sales to Kenya and Rwanda and the growth in the ceramics industry. Late in the year sales increased in the domestic market as infrastructure projects were started and the cement industry experienced demand for the export of cement within Africa. Since the end of the financial year sales have continued to grow. Higher prices for coal shipped from Richards Bay and easier access to Mtwara Port has Tancoal receiving more enquiries for export sales both within East Africa and to other markets. Potential export customers are waiting on the determination from the Ministry of Mines on the calculation of royalty on freight before moving forward with orders as a royalty on freight will kill exports and the coal will no longer be competitive with Richard Bay as South Africa like most other countries exporting coal does not charge a royalty on the gross invoice value of transport to customers plants.

Subsequent to the end of the financial year Tancoal has received a Chamber Summons and a Petition for Administration Order that Tancoal received 7 September 2018 from a local contractor Caspian Limited, denying the arbitration procedures embodied in their contract with Tancoal. The Company is taking action to defend its position against this contractor which has not performed in accordance with expectations.

The closed Malawi operations continued to be held for sale, there has been some interest but no serious buyers at this stage. The sale of assets in the drilling operations is progressing, two drills were sold during the year.

Operating cash flow has continued to be tight but is improving with the increase in sales. Total trading losses for the year totalled A\$1,921,000 (2017: A\$4,422,000) for the Group which includes holding and some closure costs of Malawi (A\$191,000) and the drilling operations (A\$3,000).

The coal-fired power station project in Malawi is still on hold until a suitable power station developer is found.. The 270MW "Ngaka" minemouth coal-fired power station project in Tanzania is a partnership with Sinohydro Corporation Limited ("Sinohydro") from China, one of China's largest international power developers. The MOU with Sinohydro has been extended until October 2018 but no further progress was made during the year, discussions with Government are ongoing. Sinohydro has completed a Feasibility Study for the power station. Sinohydro will be responsible for the engineering, procurement and construction of the power station and IEC will be responsible for the North Ngaka Coal Mine which will supply coal at the rate of approximately 1,200,000 tonnes per year to the power station. The Ngaka Power Station will take approximately 36 months to complete after the signing of a PPA.

IEC continued to maintain its active presence in community development through the Tancoal partnership with the local Women's Group which grows food products on reclaimed mining land and caters to Tancoal and other contractor's workers at the mine site. The Women's Group have developed a briquette from coal fines and clay to replace charcoal in cooking fires and hence saving Tanzanian forests from the harmful effects of the charcoal industry, the briquettes are progressing through the requirements of the Tanzania Bureau of Standards.

Tancoal's motto has always been "Tanzanian Coal for Tanzanian Development" and is proud to be supporting the Government's industrialisation agenda both through domestic supply and also the creation of export markets to benefit Tanzania with foreign sourced revenue. A substantial stockpile of coal has been stored to cater for any demand spikes. IEC and NDC are both pleased to see the development of the Tancoal Mine to be entirely managed by Tanzanians, one of very few mining operations in Tanzania to be run by Tanzanians for Tanzania. Tancoal has submitted its Local Content Plan to the Mining Commission for approval.