

Sincerely



Graeme Robertson
Chairman – Intra Energy Corporation Limited

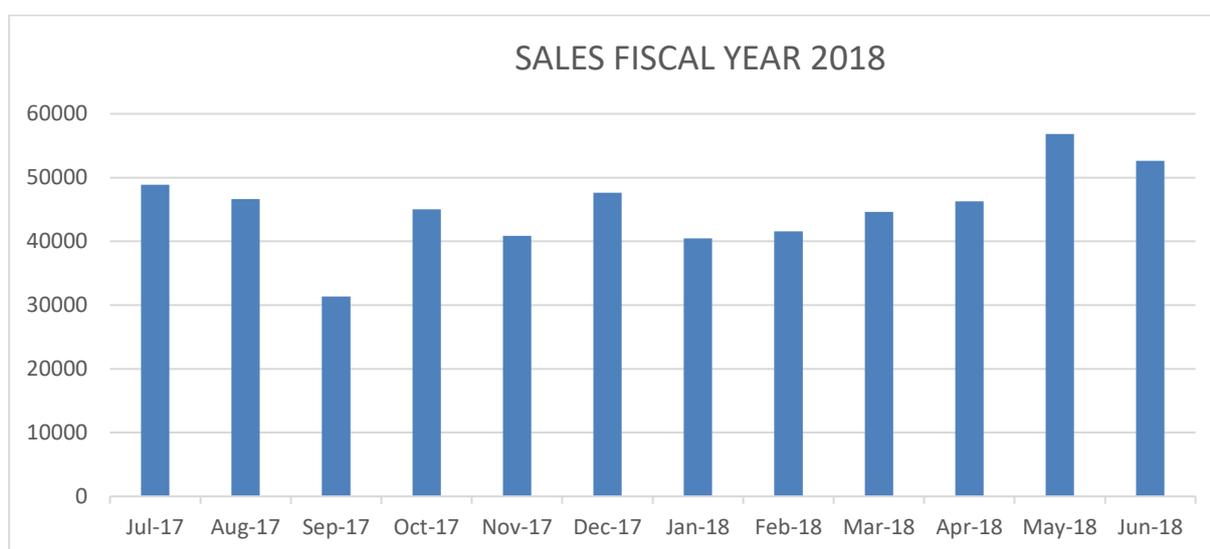
MINING OPERATIONS

IEC's 100% owned subsidiary, Intra Energy Tanzania Limited ("IETL"), owns a 70% interest in Tancoal Energy Limited ("Tancoal"), a joint venture with the National Development Corporation of Tanzania ("NDC"), which holds the remaining 30% interest. Tancoal was granted a Mining Licence ("ML") by the Tanzanian Government on 18 August 2011 and commenced mining and supply of coal to domestic and regional industrial customers in Tanzania, Kenya, Uganda, Zambia and Malawi.

IEC's flagship project, the Tancoal Mine, is a project of national significance, and remains the major operating coal mine in Tanzania.

	FY18	FY17
Overburden Stripped (BCM)	3,027,299	2,382,353
Coal mined (tonnes)	579,108	441,815
Coal Sold (tonnes)	540,937	422,569

The Tanzanian Government issued a Directive in August 2016 to all Tanzanian coal suppliers and customers, whereby all imported coal from outside Tanzania would cease immediately. As a result of this Directive, Tancoal's sales for the 2017 year increased by more than 70% on the 2016 year and continued to grow a further 28% in the 2018 year.



Production capacity at the mine has fallen from 80,000 tonnes per month to approximately 60,000 tonnes per month due to the poor performance of a major contractor. The reduction in capacity has been partially offset by the improved efficiency at the mine. 60,000 tonnes per month is sufficient capacity to manage the current demand from the Tanzanian and export customers until negotiations for an exit of the current contractor and a replacement contractor can be put in place. In August 2018, the current contractor filed for an order to place Tancoal in administration under their control, however this is being vigorously defended.

Tancoal produces a high quality thermal coal with an energy of 6,000K~6,300Kcals/kg which consistently meets client specifications.

Product coal is sold and distributed from a stockpile at Kitai, approximately 52 kilometres from the mine site. It is trucked by Tancoal to this location along an existing public road. Significant road upgrades and village bypasses, and an alternative dedicated haul road, have been investigated by the Company, and the former option will be constructed when funds allow or when Tanroads agree to upgrade the existing road. Tancoal is currently lobbying the government on this issue.

The Ministry of Mines and Minerals indicated by way of letter in August 2018 that it may declare that the cost of freight to customers factories and plants for both domestic and import sales be included in the definition of gross value for the calculation of royalty. Freight is organised by Tancoal's customers and in most cases, it is much more expensive than the cost of the coal they purchase. Tancoal is currently in discussions with the Ministry.

34,000 tonnes per month of sales are now under long term contracts with customers, who have secured competitive prices for the coal purchased through these long term contracts.

During the year, Tancoal purchased a new crushing plant capable of producing 300 tonnes per hour and a matching screen plant for sized coal. This has significantly improved the operation and the new plant has been installed at the sales point at Kitai.

Tancoal has also improved its drilling and blasting capabilities by building a new magazine for explosive storage during the year, also adding some Flexigel as a product used for blasting wet holes. This significantly improved fragmentation which has led to improved productivity.

The fuel storage facility has been upgraded from 110,000 litre capacity to 165,000 litre capacity at the mine site as well as a 10,000 litre capacity tank at the sales point in Kitai.

Tancoal has also revived an existing Liebherr 944 Excavator and a Liebherr 714 Dozer for the fleet in order to improve efficiencies and to increase capacity.

During the past year, Tancoal has widened roads, improved drainage and rebuilt in pit bridges in order to better serve its customers during the rainy season. This year the rains were heavy, however Tancoal did not have any interruptions to sales due to rain. A new water pump capable of pumping 5,000 litres of water was also commissioned during this period.

MALCOAL (MALAWI)

Malcoal Mining Limited ("Malcoal") is a joint venture between IEC (90%) and its local partner, Consolidated Mining Industries Limited ("CMI", 10%). Malcoal was an important part of IEC's Eastern African strategy to be the dominant coal supplier in the region however, Malcoal suffered from intense competition from cheap imported coal and the decision was made in 2016 to halt operations.

There has been interest from potential purchasers in the Malawi assets and the Company continues working to progress a sale. In the meantime, the assets are being held for sale and have been fully impaired in the accounts.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT ("OHSE")

OHSE is an important priority for IEC. The mine operations are subject to an Environmental Impact Assessment Plan and the operations are regularly audited by the relevant regulatory authorities. No major issues were identified for the financial year. Improvements to the storm water drainage systems at the Ngaka mine continued with the upgrading of the available trenches and ponds and the construction of new trenches and ponds to the new mine development areas.

PROJECTS

POWER STATION DEVELOPMENT

IEC continues to sponsor two major coal-fired energy projects, Project Pamodzi and Project Ngaka. The sponsor's role is to be the originator of the projects. IEC will be the exclusive coal supplier to the proposed power stations.

PROJECT NGAKA (TANZANIA) – 270 MW

In November 2015, IEC announced that it had executed a memorandum of understanding ("MOU") with SinoHydro Corporation Limited ("SinoHydro") to assess the potential joint development of its 270 MW Ngaka coal-fired power mine mouth project, located near the Tancoal Mine in Tanzania. The MOU sets out the intention of IEC and SinoHydro to complete a feasibility study and a financing proposal for the project, and to negotiate a Joint Venture Agreement for the development of the project. SinoHydro will be the major shareholder with IEC holding a minor share. This MOU was again renewed in April 2018 for another 6 month period as Tancoal and SinoHydro continue to discuss with the government to try and get this project moving. This follows a letter to Tancoal from the DPS of the Office of the Minister of Energy requesting that the power project be expedited. Tancoal is still pushing to get the Government to agree to negotiate, but talks have stalled for the time being.

Project Ngaka will use high quality, low sulphur thermal coal from the Tancoal Mine located in south western Tanzania. It is proposed to site the generating facilities adjacent to Tancoal's northern coal deposit while the

southern coal deposit will continue to meet the growing industrial and cement requirements of Tanzania and its neighbours.

Sinohydro is a driving force behind China's industrial development. It has 130,000 employees and provides one-stop services for financing, engineering, purchasing, implementation and operation of projects for power, water conservation, transport infrastructure and civil works such as public and private buildings.

IEC believes that Sinohydro will be an excellent strategic co-developer for Project Ngaka.

PROJECT PAMODZI (MALAWI) – 120 MW

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, with Tancoal securing an option to supply coal to the power station in Malawi, located across Lake Nyasa from Tancoal. As the sale of the Malawi assets has not settled, IEC may consider alternative options for the power project.

Intra Energy is still working to push the Pamodzi Project along and have received new interest in the project and hope to have an agreement in the near future to either partner in the project, or to sale the rights of the project to another source.

EXPLORATION

Some low-level exploration was undertaken on the lithium and graphite tenements in Tanzania but expenditure remained controlled so as to preserve cash whilst still maintaining the Company's portfolio of tenements in good standing.

IEC's total resources no longer include the resource for Malawi.

Table 1 - Intra Energy JORC resources

Project	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
<i>Tanzania</i>				
Tancoal – North	51.00	73.70	71.73	196.43
Tancoal – South	25.53	71.80	63.00	160.33
Total JORC resources	76.53	145.50	134.73	356.76

COMPETENT PERSON STATEMENT

MBALAWALA/MBUYURA-MKAPA

The information in this report relates to Exploration Results, Mineral Resources or Ore Reserves based on the Mbalawala Mine Bankable Feasibility Study with related infrastructure feasibility options as at 31 August 2010, the Mbalawala Coal Mine Bankable Feasibility Study as at 13 August 2010, the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010 and the Updated Raw Coal Resource Estimate provided by JB Mining Services Pty Ltd dated 30 September 2017 and 30 November 2017 and have been reviewed by Mr Phillip Sides. Mr Sides is a Member of the Australian Institute of Geoscientists and as such qualifies as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ~ The JORC Code ~ 2012 Edition". Mr Sides is a consultant to JB Mining Services Pty Ltd and has sufficient experience to qualify as a Competent Person as defined in The JORC Code. Mr Sides consents to the inclusion of the matters based on his information in the form and context in which it appears.

CORPORATE

Operating cash flow continued to be restricted but started to improve with the stronger sales in the later part of the year.

Tancoal's banking facilities with KCB Bank of Tanzania were extended to April 2019. The invoice discounting facility was closed and half of the US\$1.8 million overdraft was converted to a term loan over three years at 8%.

Troy Wilson joined the Board on 4 October 2017 replacing Michael Addison who retired on 28 September 2018. Alan Fraser joined the Board on 24 August 2018 replacing David Nolan who retired on the same day.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

COMMUNITY

At IEC our approach to corporate social responsibility ("CSR") is about partnership with local communities to develop initiatives to provide social and economic development as well as environmental protection and conservation in the areas IEC operate.

By developing partnerships with the communities, IEC is helping to foster sustainable development, share the socio-economic benefits from its operations and alleviate poverty.

IEC's focus is helping communities by developing infrastructure, education and health opportunities by the employment of local personnel. It relies on the local community for operational support rather than external contractors in order to boost the local economy where it operates. IEC makes direct contributions to the community through building infrastructure and donations of equipment and supplies, and transfers capabilities and skills to enhance work abilities.

Some of the key challenges associated with investing in Africa relate to governance, capacity building, human rights, environment and social issues. The mining industry in Tanzania is committed to continue to work in conjunction with the government and local communities to put in place programs and develop projects that have a tangible outcome, and priority is given to projects that alleviate poverty, contribute to building skills and support women's and youth economic empowerment, especially through education and business ownership.

A village well project is progressing, the pump house and electricity connection are next to be completed and then it will be the installation of the pump and piping system before final commissioning of the project.

TANZANIA

MBALAWALA WOMEN'S GROUP ("THE WOMEN'S GROUP")

The Women's Group was established in late 2011 after consultation with local women and in partnership with community leaders. The Women's Group provides local goods and camp services to the mine employees and is funded by Tancoal with assistance from a successful grant application from the Australian Government's Direct Aid Programme.

Significant progress had been made in having a coal briquette certified by the Tanzanian Bureau of Standards. These coal briquettes are an alternative to charcoal. Production of briquettes commenced in late June 2016 and production is slowly increasing. Charcoal production is one of the major contributors to deforestation in Tanzania.

ENVIRONMENTAL

The annual tree planting programme again saw Tancoal transplant a total of 10,000 tree seedlings of indigenous species. Trees were planted around the mine site and stockpile area at the mine, villages surrounding mine site, the haul road and stockpile area at the Kitai sales point.

The workshop drainage system has been upgraded so that it can collect all hydrocarbon contaminants precisely, and a big oil-water separator that can accommodate huge amount of effluent especially during the rainy season has been constructed. A waste oil storage cage with containment has been constructed that complies with hydrocarbon spillage control for the workshop.

Storm water trenches have been continually upgraded for the rainy season in accordance with the mine development plan. The monitoring of acid water and suppression of mine dust continues. Blasting are controlled by monitoring sound level, vibration and dust emission during blasting to ensure they do not exceed required standard set by Tanzania Bureau of Standard (TBS).